



Modimolle Local Municipality  
Financial statements  
for the year ended 30 June 2015  
Auditor General

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Members of Council</b>	
Mayor	KE Lekalakala
Councillors	SA Sebolai
	NG Mashitsho
	MP Kekana
	MC Laubscher
	MF Marutha
	MS Olifant
	G Ferreira
	RP Mashaba
	MS Motshegoa
	NG Mojela
	MP Nyama
	J Nel
	WL Botes
	SJ Moropene
	NA Khanya
	MS Ledwaba
	SP Sebelebele
<b>Grading of local authority</b>	3
<b>Accounting Officer</b>	NS Bambo
<b>Chief Finance Officer (CFO)</b>	TM Mathabatha
<b>Registered office</b>	Harry Gwala Street OR Tambo Square Modimolle 0510
<b>Business address</b>	Harry Gwala Street OR Tambo Square Modimolle 0510
<b>Postal address</b>	Private Bag X 1008 Modimolle 0510
<b>Bankers</b>	Standard Bank
<b>Auditors</b>	Auditor General

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

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The reports and statements set out below comprise the financial statements presented to the Municipal Council:

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# Modimolle Local Municipality

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Modimolle Local Municipality**

Financial Statements for the year ended 30 June 2015

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with the South Africa Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on pages 5 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

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**Accounting Officer**  
**NS Bambo**

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Assets</b>			
Current Assets			
Inventories	10	7 269 666	6 223 810
Receivables from exchange transactions	11	77 150 126	71 694 757
Receivables from non-exchange transactions	12	24 765 221	20 037 106
Investments	8	4 056 573	900 000
Current Receivables	9	334 651	316 094
Cash and cash equivalents	13	13 502 798	34 768 777
		<b>127 079 035</b>	<b>133 940 544</b>
Non-Current Assets			
Investment property	4	5 575 251	5 575 251
Property, plant and equipment	5	892 248 686	882 770 091
Intangible assets	6	2 497 269	2 497 269
Investments	8	117 955	2 818 721
		<b>900 439 161</b>	<b>893 661 332</b>
<b>Total Assets</b>		<b>1 027 518 196</b>	<b>1 027 601 876</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	15	394 193	367 086
Finance lease obligation	16	1 451 416	1 187 522
Payables from exchange transactions	19	64 176 611	37 190 776
VAT payable	20	30 139 824	25 862 248
Consumer deposits	21	3 767 170	3 668 359
Employee benefit obligation	7	751 428	647 400
Unspent conditional grants and receipts	17	1 685 578	23 467 722
Provisions	18	613 119	256 678
		<b>102 979 339</b>	<b>92 647 791</b>
Non-Current Liabilities			
Other financial liabilities	15	981 567	1 375 707
Finance lease obligation	16	-	1 451 417
Employee benefit obligation	7	29 143 750	25 281 249
Provisions	18	40 171 642	22 503 982
		<b>70 296 959</b>	<b>50 612 355</b>
<b>Total Liabilities</b>		<b>173 276 298</b>	<b>143 260 146</b>
<b>Net Assets</b>		<b>854 241 898</b>	<b>884 341 730</b>
Reserves			
Housing Development Fund	14	483 263	483 263
Accumulated surplus		853 758 635	883 858 467
<b>Total Net Assets</b>		<b>854 241 898</b>	<b>884 341 730</b>

\* See Note 2 & 41

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	133 475 066	122 769 235
Rental of facilities and equipment	36	190 320	558 025
Interest received (trading)		9 201 453	9 691 873
Agency services		3 941 305	2 421 498
Fair Value of Shares		4 234	97 921
Other income	27	7 898 917	7 536 075
Interest received - investment	31	1 768 997	2 712 028
<b>Total revenue from exchange transactions</b>		<b>156 480 292</b>	<b>145 786 655</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	30 372 063	27 774 000
<b>Transfer revenue</b>			
Government grants & subsidies	25	108 641 143	105 807 536
Fines, Penalties and Forfeits		107 995	102 800
<b>Total revenue from non-exchange transactions</b>		<b>139 121 201</b>	<b>133 684 336</b>
<b>Total revenue</b>	22	<b>295 601 493</b>	<b>279 470 991</b>
<b>Expenditure</b>			
Employee Related Costs	29	(107 343 844)	(96 436 868)
Remuneration of councillors	30	(6 342 157)	(5 980 487)
Depreciation and amortisation	32	(49 266 434)	(41 850 071)
Impairment loss/ Reversal of impairments	33	(478 776)	(2 400 677)
Finance costs	34	(3 017 959)	(2 750 634)
Debt Impairment		(17 695 393)	(13 886 529)
Repairs and maintenance		(10 231 423)	(8 443 868)
Bulk purchases	38	(84 686 852)	(77 430 424)
Contracted services	37	(10 298 822)	(9 822 388)
General Expenses	28	(35 542 799)	(35 018 608)
<b>Total expenditure</b>		<b>(324 904 459)</b>	<b>(294 020 554)</b>
<b>Operating deficit</b>		<b>(29 302 966)</b>	<b>(14 549 563)</b>
Gain (loss) on disposal of assets and liabilities		1 917	(590 530)
Inventories: Write Down		(891 496)	(448 598)
		<b>(889 579)</b>	<b>(1 039 128)</b>
<b>Deficit for the year</b>		<b>(30 192 545)</b>	<b>(15 588 691)</b>

\* See Note 2 & 41

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
<b>Balance at 01 July 2013</b>	<b>483 263</b>	<b>899 447 158</b>	<b>899 930 421</b>
Changes in net assets			
Surplus for the year	-	(15 588 691)	(15 588 691)
Total changes	-	(15 588 691)	(15 588 691)
Opening balance as previously reported	483 263	883 858 465	884 341 728
Adjustments			
Correction of errors	-	92 715	92 715
<b>Restated* Balance at 01 July 2014 as restated*</b>	<b>483 263</b>	<b>883 951 180</b>	<b>884 434 443</b>
Changes in net assets			
Surplus for the year	-	(30 192 545)	(30 192 545)
Total changes	-	(30 192 545)	(30 192 545)
<b>Balance at 30 June 2015</b>	<b>483 263</b>	<b>853 758 635</b>	<b>854 241 898</b>
Note(s)	14		

\* See Note 2 & 41



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property Rates		21 998 679	18 166 112
Sale of goods and services		104 611 674	107 845 788
Grants		87 027 934	105 394 000
Interest income		1 768 997	2 712 028
Other receipts		40 210 948	31 165 941
Interest Earned - outstanding receivables		2 192 041	9 691 873
Fines		107 995	102 800
Licences and Permits		3 941 305	2 421 498
Rental of Facilities and Equipment		190 320	558 025
		<u>262 049 893</u>	<u>278 058 065</u>
<b>Payments</b>			
Employee costs		(99 438 195)	(91 745 174)
Remuneration of Councillors		(6 342 157)	(5 980 487)
Finance costs		(431 806)	(585 383)
Other payments		(16 830 464)	(32 684 299)
Repair and Maintenance		(9 494 450)	(8 396 421)
Contracted Services		(9 434 025)	(9 822 388)
Bulk Purchases		(79 031 294)	(83 159 800)
		<u>(221 002 391)</u>	<u>(232 373 952)</u>
<b>Net cash flows from operating activities</b>	39	<u><b>41 047 502</b></u>	<u><b>45 684 113</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(60 474 642)	(66 323 631)
Proceeds from sale of property, plant and equipment	5	198 631	8 792 679
Purchase of investments		(455 807)	(484 892)
Other cash item		-	(4 249 173)
<b>Net cash flows from investing activities</b>		<u><b>(60 731 818)</b></u>	<u><b>(62 265 017)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(394 140)	(366 922)
Movement in other liability		-	(2 320 289)
Finance lease payments		(1 187 523)	(2 082 910)
<b>Net cash flows from financing activities</b>		<u><b>(1 581 663)</b></u>	<u><b>(4 770 121)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(21 265 979)</b></u>	<u><b>(21 351 025)</b></u>
Cash and cash equivalents at the beginning of the year		34 768 777	56 119 802
<b>Cash and cash equivalents at the end of the year</b>	13	<u><b>13 502 798</b></u>	<u><b>34 768 777</b></u>

\* See Note 2 & 41

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue by source

Property rates	29 100 000	900 000	30 000 000	30 372 063	372 063	Note 49
Service charges	138 000 000	3 200 000	141 200 000	133 475 066	(7 724 934)	
Investment revenue	11 200 000	-	11 200 000	10 970 449	(229 551)	
Transfers recognised - operational	64 267 201	(135 000)	64 132 201	64 015 703	(116 498)	
Other own revenue	10 667 770	(596 975)	10 070 795	12 144 687	2 073 892	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>253 234 971</b>	<b>3 368 025</b>	<b>256 602 996</b>	<b>250 977 968</b>	<b>(5 625 028)</b>	

##### Expenditure by type

Employee costs	(101 842 257)	(6 251 360)	(108 093 617)	(108 185 545)	(91 928)	Note 49
Remuneration of councillors	(6 855 200)	-	(6 855 200)	(6 342 159)	513 041	
Debt impairment	(10 000 000)	(5 000 000)	(15 000 000)	(17 695 393)	(2 695 393)	
Depreciation & asset impairment	(30 603 578)	-	(30 603 578)	(49 745 210)	(19 141 632)	
Finance charges	(3 035 000)	(382 000)	(3 417 000)	(3 017 959)	399 041	
Materials and bulk purchases	(106 075 374)	367 770	(105 707 604)	(105 173 479)	534 125	
Other expenditure	(37 832 252)	251 568	(37 580 684)	(35 636 212)	1 944 472	
<b>Total expenditure</b>	<b>(296 243 661)</b>	<b>(11 014 022)</b>	<b>(307 257 683)</b>	<b>(325 795 957)</b>	<b>(18 538 274)</b>	
<b>Surplus/(Deficit)</b>	<b>(43 008 690)</b>	<b>(7 645 997)</b>	<b>(50 654 687)</b>	<b>(74 817 989)</b>	<b>(24 163 302)</b>	
Transfers recognised - capital	35 775 800	10 419 789	46 195 589	44 625 440	(1 570 149)	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(7 232 890)</b>	<b>2 773 792</b>	<b>(4 459 098)</b>	<b>(30 192 549)</b>	<b>(25 733 451)</b>	
<b>Surplus/(Deficit) for the year</b>	<b>(7 232 890)</b>	<b>2 773 792</b>	<b>(4 459 098)</b>	<b>(30 192 549)</b>	<b>(25 733 451)</b>	

#### Reconciliation

##### Format and classification differences

Employee Related Cost	(841 704)
Materials and bulk purchases	43 618
General Expenditure	798 086
<b>Actual Amount in the Statement of Financial Performance</b>	<b>(30 192 549)</b>

The accounting policies on pages 15 to 32 and the notes on pages 33 to 71 form an integral part of the financial statements.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2015</b>											
<b>Financial Performance</b>											
Property rates	29 100 000	900 000	30 000 000	-		30 000 000	30 372 063		372 063	101 %	104 %
Service charges	138 000 000	3 200 000	141 200 000	-		141 200 000	133 475 066		(7 724 934)	95 %	97 %
Investment revenue	2 400 000	-	2 400 000	-		2 400 000	1 768 997		(631 003)	74 %	74 %
Transfers recognised - operational	64 267 201	(135 000)	64 132 201	-		64 132 201	64 015 703		(116 498)	100 %	100 %
Other own revenue	19 467 770	(596 975)	18 870 795	-		18 870 795	21 346 139		2 475 344	113 %	110 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>253 234 971</b>	<b>3 368 025</b>	<b>256 602 996</b>	<b>-</b>		<b>256 602 996</b>	<b>250 977 968</b>		<b>(5 625 028)</b>	<b>98 %</b>	<b>99 %</b>
Employee costs	(101 842 257)	(6 251 360)	(108 093 617)	-	-	(108 093 617)	(108 185 543)	-	(91 926)	100 %	106 %
Remuneration of councillors	(6 855 200)	-	(6 855 200)	-	-	(6 855 200)	(6 342 157)	-	513 043	93 %	93 %
Debt impairment	(10 000 000)	(5 000 000)	(15 000 000)			(15 000 000)	(17 695 393)	-	(2 695 393)	118 %	177 %
Depreciation and asset impairment	(30 603 578)	-	(30 603 578)			(30 603 578)	(49 745 210)	-	(19 141 632)	163 %	163 %
Finance charges	(3 035 000)	(382 000)	(3 417 000)	-	-	(3 417 000)	(3 017 959)	-	399 041	88 %	99 %
Materials and bulk purchases	(97 720 374)	(367 770)	(98 088 144)	-	-	(98 088 144)	(94 874 655)	-	3 213 489	97 %	97 %
Other expenditure	(46 187 252)	(251 568)	(46 438 820)	-	-	(46 438 820)	(45 935 040)	-	503 780	99 %	99 %
<b>Total expenditure</b>	<b>(296 243 661)</b>	<b>(12 252 698)</b>	<b>(308 496 359)</b>	<b>-</b>	<b>-</b>	<b>(308 496 359)</b>	<b>(325 795 957)</b>	<b>-</b>	<b>(17 299 598)</b>	<b>106 %</b>	<b>110 %</b>
<b>Surplus/(Deficit)</b>	<b>(43 008 690)</b>	<b>(8 884 673)</b>	<b>(51 893 363)</b>	<b>-</b>		<b>(51 893 363)</b>	<b>(74 817 989)</b>		<b>(22 924 626)</b>	<b>144 %</b>	<b>174 %</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	35 775 800	10 419 789	46 195 589	-		46 195 589	44 625 440		(1 570 149)	97 %	125 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(7 232 890)</b>	<b>1 535 116</b>	<b>(5 697 774)</b>	-		<b>(5 697 774)</b>	<b>(30 192 549)</b>		<b>(24 494 775)</b>	<b>530 %</b>	<b>417 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>(7 232 890)</b>	<b>1 535 116</b>	<b>(5 697 774)</b>	-		<b>(5 697 774)</b>	<b>(30 192 549)</b>		<b>(24 494 775)</b>	<b>530 %</b>	<b>417 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	41 306 800	10 586 509	51 893 309	-		51 893 309	43 421 205		(8 472 104)	84 %	105 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	35 775 800	10 419 789	46 195 589	-		46 195 589	40 307 709		(5 887 880)	87 %	113 %
Internally generated funds	5 531 000	166 720	5 697 720	-		5 697 720	3 113 496		(2 584 224)	55 %	56 %
<b>Total sources of capital funds</b>	<b>41 306 800</b>	<b>10 586 509</b>	<b>51 893 309</b>	-		<b>51 893 309</b>	<b>43 421 205</b>		<b>(8 472 104)</b>	<b>84 %</b>	<b>105 %</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	43 577 419	(25 671 954)	17 905 465	-		17 905 465	41 047 502		23 142 037	229 %	94 %
Net cash from (used) investing	(30 957 600)	(4 708 882)	(35 666 482)	-		(35 666 482)	(60 731 818)		(25 065 336)	170 %	196 %
Net cash from (used) financing	620 000	-	620 000	-		620 000	(1 581 663)		(2 201 663)	(255)%	(255)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13 239 819</b>	<b>(30 380 836)</b>	<b>(17 141 017)</b>	<b>-</b>		<b>(17 141 017)</b>	<b>(21 265 979)</b>		<b>(4 124 962)</b>	<b>124 %</b>	<b>(161)%</b>
Cash and cash equivalents at the beginning of the year	35 687 484	(918 707)	34 768 777	-		34 768 777	34 768 777		-	100 %	97 %
<b>Cash and cash equivalents at year end</b>	<b>48 927 303</b>	<b>(31 299 543)</b>	<b>17 627 760</b>	<b>-</b>		<b>17 627 760</b>	<b>13 502 798</b>		<b>4 124 962</b>	<b>77 %</b>	<b>28 %</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2014</b>				
<b>Financial Performance</b>				
Property rates				27 774 000
Service charges				122 769 235
Investment revenue				2 712 028
Transfers recognised - operational				62 232 148
Other own revenue				20 408 192
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>235 895 603</b>
Employee costs	-	-	-	(97 306 769)
Remuneration of councillors	-	-	-	(5 980 487)
Debt impairment	-	-	-	(13 886 529)
Depreciation and asset impairment	-	-	-	(44 250 748)
Finance charges	-	-	-	(2 750 634)
Materials and bulk purchases	-	-	-	(85 883 807)
Other expenditure	-	-	-	(45 000 708)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(295 059 682)</b>
<b>Surplus/(Deficit)</b>				<b>(59 164 079)</b>
Transfers recognised - capital				43 575 388
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>(15 588 691)</b>
<b>Surplus/(Deficit) for the year</b>				<b>(15 588 691)</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				43 655 764
<b>Sources of capital funds</b>				
Transfers recognised - capital				40 052 188
Internally generated funds				3 603 576
<b>Total sources of capital funds</b>				<b>43 655 764</b>
<b>Cash flows</b>				
Net cash from (used) operating				45 684 113
Net cash from (used) investing				(62 265 017)
Net cash from (used) financing				(4 770 121)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(21 351 025)</b>
Cash and cash equivalents at the beginning of the year				56 119 802
<b>Cash and cash equivalents at year end</b>				<b>34 768 777</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Trade receivables and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to debtors balances in the portfolio and scaled to the estimated loss emergence period.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

##### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

##### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows in terms of GRAP 104.61 - 63.



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Buildings	Straight line	5-80
Operational Buildings	Straight line	5-80
Plant and machinery	Straight line	5-12
Furniture and fixtures	Straight line	3-7
General Motor vehicles	Straight line	5
Office equipment	Straight line	3-7
Housing	Straight line	5-80
Community Facility	Straight line	7-100
Sport and Recreational	Straight line	7-100
Electricity network	Straight line	4-100
Road and storm water network	Straight line	4-100
Wastewater network	Straight line	4-100
Water network	Straight line	4-100

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Electricity Servitudes	indefinite
Sanitation Servitudes	indefinite
Storm Water Servitudes	indefinite
Water Servitudes	indefinite
Computer software, other	3 years

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Financial instruments

#### Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Investment
- Cash and cash equivalents
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

Loans, receivables and investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Receivables from non-exchange transactions

Receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

#### Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.7 Leases (continued)

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.9 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Impairment of non-cash-generating assets (continued)

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one municipality, on the basis that contribution and benefit levels are determined without regard to the idmunicipality of the municipality that employs the employees concerned.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of prepaid electricity is recognised from the point of sale. It is estimated that prepaid electricity is consumed within nine (9) days after purchase, due to system limitations which does not allow the municipality an option to draw a report on actuals on the prepaid meters of consumers. Prepaid electricity sold but presumed to be unused at year-end is disclosed as payables from exchange transaction.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another municipality in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

### 1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

### 1.21 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.23 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by a municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.



# **Modimolle Local Municipality**

Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.24 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

2015

2014

### 2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the new or revised standards.

• GRAP 1	Presentation of Financial Statements
• GRAP 2	Cash Flow Statements
• GRAP 3	Accounting Policies, Changes in Accounting
• GRAP 4	The effects of Changes in Foreign Exchange rates
• GRAP 5	Borrowing cost
• GRAP 6	Consolidated and Seperate Financial Statements
• GRAP 7	Investments in Associates
• GRAP 8	Interest in Joint Ventures
• GRAP 9	Revenue from Exchange transactions
• GRAP 10	Financial Reporting in Hyperinflationary Economies
• GRAP 11	Construction contracts
• GRAP 12	Inventories
• GRAP 13	Leases
• GRAP 14	Event After the Reporting Date
• GRAP 16	Investment Property
• GRAP 17	Property, Plant and Equipment
• GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
• GRAP 21	Impairment of non-cash-generating assets
• GRAP 23	Revenue from non-exchange transactions
• GRAP 24	Presentation of Budget information in Financial Statements
• GRAP 25	Employee benefits
• GRAP 26	Impairment of cash-generating assets
• GRAP 27	Agriculture
• GRAP 31	Intangible assets
• GRAP 100	Non-current Assets Held for Sale and Discontinue Operations
• GRAP 101	Agriculture
• GRAP 102	Intangible Assets
• GRAP 103	Heritage Assets
• GRAP 104	Financial Instruments

### 3. New standards and interpretations

#### 3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

#### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an municipality within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The impact of this standard is currently being assessed.

#### **GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

#### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an municipality that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP 107: Mergers**

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an municipality that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting municipality and its ability to deliver agreed services, including assessments of the risks and opportunities facing the municipality. This disclosure also ensures that the reporting municipality is transparent about its dealings with related parties.

The standard states that a related party is a person or an municipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an municipality that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting municipality:

- A person or a close member of that person's family is related to the reporting municipality if that person:
  - has control or joint control over the reporting municipality;
  - has significant influence over the reporting municipality;
  - is a member of the management of the municipality or its controlling municipality.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

- An municipality is related to the reporting municipality if any of the following conditions apply:
  - the municipality is a member of the same economic municipality (which means that each controlling municipality, controlled municipality and fellow controlled municipality is related to the others);
  - one municipality is an associate or joint venture of the other municipality (or an associate or joint venture of a member of an economic municipality of which the other municipality is a member);
  - both entities are joint ventures of the same third party;
  - one municipality is a joint venture of a third municipality and the other municipality is an associate of the third municipality;
  - the municipality is a post-employment benefit plan for the benefit of employees of either the municipality or an entity related to the municipality. If the reporting municipality is itself such a plan, the sponsoring employers are related to the municipality;
  - the municipality is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that municipality or is a member of the management of that municipality (or its controlling municipality).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting municipality and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

The impact of this standard is currently being assessed.

### GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An municipality shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an municipality elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An municipality shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an municipality elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An municipality shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An municipality shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 3. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP 7 (as revised 2010): Investments in Associates**

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An municipality shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an municipality elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An municipality shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An municipality shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector municipality.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

#### **GRAP108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 575 251	-	5 575 251	5 575 251	-	5 575 251

### Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	5 575 251	5 575 251

### Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	5 575 251	5 575 251

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

### 5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	406 986 566	(23 274 948)	383 711 618	390 737 316	(9 191 241)	381 546 075
Buildings	52 665 609	(18 331 091)	34 334 518	52 279 189	(15 854 098)	36 425 091
Infrastructure	607 515 091	(163 752 028)	443 763 063	565 528 807	(134 763 900)	430 764 907
Community	28 969 811	(9 099 796)	19 870 015	24 494 146	(7 801 416)	16 692 730
Other property, plant and equipment	19 149 414	(9 672 772)	9 476 642	23 383 107	(8 188 971)	15 194 136
Finance lease asset	5 271 610	(4 178 780)	1 092 830	5 271 610	(3 124 458)	2 147 152
<b>Total</b>	<b>1 120 558 101</b>	<b>(228 309 415)</b>	<b>892 248 686</b>	<b>1 061 694 175</b>	<b>(178 924 084)</b>	<b>882 770 091</b>



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	WIP Released	Disposals	Transfers	Correction of Error	Assets under construction Additions	Depreciation	Impairment loss	Total
Land	381 546 075	16 249 250	-	-	-	-	-	(14 083 707)	-	383 711 618
Buildings	36 425 091	-	-	-	-	-	386 421	(2 476 994)	-	34 334 518
Infrastructure	430 769 174	43 010 201	(43 573 863)	-	2 715 618	1 932 652	37 897 409	(28 610 998)	(377 130)	443 763 063
Community	16 692 730	4 475 664	-	-	-	-	-	(1 298 379)	-	19 870 015
Other property, plant and equipment	15 195 214	2 182 410	(4 559 347)	(196 714)	(2 715 618)	(11 926)	1 426 318	(1 742 035)	(101 646)	9 476 656
Finance lease assets	2 147 152	-	-	-	-	-	-	(1 054 322)	-	1 092 830
	<b>882 775 436</b>	<b>65 917 525</b>	<b>(48 133 210)</b>	<b>(196 714)</b>	<b>-</b>	<b>1 920 726</b>	<b>39 710 148</b>	<b>(49 266 435)</b>	<b>(478 776)</b>	<b>892 248 700</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	WIP Released	Disposals/Transfers from WIP	Correction of Error	Assets under construction	Depreciation	Impairment loss	Impairment reversal	Total
Land	374 273 027	13 472 089	-	-	-	-	(6 199 041)	-	-	381 546 075
Buildings	39 493 169	394 737	-	(616 278)	22 168	-	(2 991 547)	(314 226)	437 068	36 425 091
Infrastructure	422 862 144	2 336 558	11 289 754	(6 790 953)	16 044	30 954 183	(28 308 280)	(2 019 808)	429 532	430 769 174
Community	18 277 746	-	-	(379 471)	74 774	449 557	(1 984 587)	(49 138)	303 850	16 692 731
Other property, plant and equipment	12 603 943	254 586	1 916 654	(1 596 507)	37	3 438 934	(1 545 752)	(17 505)	140 824	15 195 214
Finance lease assets	3 201 474	-	-	-	-	-	(1 054 322)	-	-	2 147 152
	<b>870 711 503</b>	<b>16 457 970</b>	<b>13 206 408</b>	<b>(9 383 209)</b>	<b>113 023</b>	<b>34 842 674</b>	<b>(42 083 529)</b>	<b>(2 400 677)</b>	<b>1 311 274</b>	<b>882 775 437</b>

#### Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	46 052 165	449 557	3 133 028	49 634 750
Additions/capital expenditure	37 897 409	-	1 812 739	39 710 148
Transferred to completed items	(43 573 863)	-	(4 559 346)	(48 133 209)
	<b>40 375 711</b>	<b>449 557</b>	<b>386 421</b>	<b>41 211 689</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 5. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	23 792 769	-	4 326 367	28 119 136
Additions/capital expenditure	30 833 532	449 557	3 438 934	34 722 023
Other movements :	2 715 618	-	(2 715 618)	-
Transferred to completed items	(11 289 754)	-	(1 916 654)	(13 206 408)
	<b>46 052 165</b>	<b>449 557</b>	<b>3 133 029</b>	<b>49 634 751</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The Municipality does not own any heritage assets.

For more detail information about assets please refer to Appendix B.

### 6. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	2 497 269	-	2 497 269	2 497 269	-	2 497 269

#### Reconciliation of intangible assets - 2015

	Opening balance	Total
Servitudes	2 497 269	2 497 269

#### Reconciliation of intangible assets - 2014

	Opening balance	Total
Servitudes	2 497 269	2 497 269

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 7. Employee benefit obligations

#### Defined benefit plan

##### Post employment health care plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The post-employment health care benefit is a defined benefit plan, which is made up as follows:

#### Eligible in-service members

Number of Principal Members	147	135
Number Non-Members	203	208
Average Age of Members	43	43
Average Past Service	9	9
Average number of dependants for In-Service Members	2	2

#### Continuing Members

Number of Principal Members	23	21
Average Age of Members	72	72
Average Employee Contributions	2 723	2 569

#### The liability in respect of past service has been estimated to be as follows:

In-Service Members	14 606 949	13 045 526
In-Services Non-Members	5 954 673	5 042 809
Continuation Members	9 333 556	7 840 314
	<b>29 895 178</b>	<b>25 928 649</b>

#### The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-partly or wholly funded	(29 895 178)	(25 928 649)
Non-current liabilities	(29 143 750)	(25 281 249)
Current liabilities	(751 428)	(647 400)
	<b>(29 895 178)</b>	<b>(25 928 649)</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 7. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	25 928 649	20 458 439
Benefits paid	(647 400)	(528 276)
Net expense recognised in the statement of financial performance	4 613 929	5 998 486
	<b>29 895 178</b>	<b>25 928 649</b>

### Net expense recognised in the statement of financial performance

Current service cost	1 771 935	1 154 478
Interest cost	2 336 560	1 826 651
Actuarial (gains) losses	505 434	3 017 357
	<b>4 613 929</b>	<b>5 998 486</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.02 %	9.12 %
Expected rate of return on assets	8.12 %	8.29 %
Expected rate of return on reimbursement rights	0.83 %	0.77 %
Actual return on reimbursement rights	58	58

The basis used to determine the discount rate of return is as follow:

A discount rate of 9.02% (2014: 9.12%) per annum has been used. The corresponding index-linked yield at this term is 1.78% (2014: 1.72%).

The rate is calculated by using a weighted average of yields for the three components of the liability.

The employee benefit obligation was independently performed by ARCH Actuarial Consulting. The report was prepared by Chanan Weiss BSc FFA. Chanan is a Fellow of the Actuarial Society of South Africa.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014			
<b>7. Employee benefit obligations (continued)</b>					
<b>Other assumptions</b>					
Changes in the present value of the defined benefit obligations for the current and previous four years are as follows:					
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Opening Balance	25 928 649	20 458 439	17 900 419	17 016 505	12 323 194
Benefit Paid	(647 400)	(528 276)	(471 720)	(482 616)	(483 562)
Net expense recognised in the Statement of Financial Performance	4 613 929	5 998 486	3 029 740	1 366 530	5 176 873
<b>Closing Balance</b>	<b>29 895 178</b>	<b>25 928 649</b>	<b>20 458 439</b>	<b>17 900 419</b>	<b>17 016 505</b>
Experience adjustments on plan liabilities	452 000	1 739 000	1 075 000	(3 028 000)	3 597 000

<b>The amounts recognised in the Statement of Financial Position are as follows:</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Present value of the defined benefit obligations - partially of wholly funded	29 895 178	25 928 649	20 458 439	17 900 419	17 016 505

A one percent change in assumed health cost trends rates would have the following effects:

<b>Sensitivity Analysis</b>	<b>Change</b>	<b>Current-Service Cost</b>	<b>Interest Cost</b>	<b>Total</b>	<b>% Change</b>
Central Assumptions		1 771 900	2 336 600	4 108 500	- %
Health Care Inflation	+1%	2 153 800	2 711 700	4 865 500	18 %
	-1%	1 448 900	2 018 400	3 467 300	(16)%
Discount rate	+1%	1 442 900	2 227 500	3 670 400	(11)%
	-1%	2 206 400	2 452 700	4 659 100	13 %
Post-Retirement Mortality	-1yr	1 827 900	2 422 300	4 250 200	3 %
Average Retirement Age	-1yr	1 965 500	2 462 500	4 428 000	8 %
Continuation of membership at retirement	-10%	1 394 400	1 992 300	3 386 700	(18)%
		<b>14 211 700</b>	<b>18 624 000</b>	<b>32 835 700</b>	<b>(3)%</b>

## 8. Investments

N T K	117 955	113 721
Fixed Deposit	4 056 573	900 000
Investments	-	2 705 000
	<b>4 174 528</b>	<b>3 718 721</b>
<b>Current and Non-Current</b>		
Current Investment	4 056 573	900 000
Non-current Investments	117 955	2 818 721
	<b>4 174 528</b>	<b>3 718 721</b>

Fixed deposits amounting to R900 000 (2014: R900 000) have been pledged to Magalies Water for a deposit. The Investment is renewable annually.

Investments totalling R3 156 573 (2014: R2 705 000) were ceded to the DBSA. These investments serve as security for the long terms loans. The investment maturity date is 19 October 2015 and was reclassified as a current investment.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 8. Investments (continued)

NTK is unlisted share investment for the following shares as at 30 June 2014:

Class 1 Normal shares 5000 @ R1 per share

Class 2 Preferential shares 32 234 @ R1 per share

Class 3 Preferential shares 77 919 @ R1 per share

NTK Shares 2015	Class 1 Normal Shares	Class 2 Preferential Shares	Class 3 Preferential Shares	Security Investments	Total
Opening Balance	5 000	28 156	77 919	2 646	113 721
Fair Value adjustments	-	4 078	-	156	4 234
	<b>5 000</b>	<b>32 234</b>	<b>77 919</b>	<b>2 802</b>	<b>117 955</b>

NTK Shares 2014	Class 1 Normal Shares	Class 2 Preferential Shares	Class 3 Preferential Shares	Security Investments	Total
Opening Balance	5 000	8 285	-	2 516	15 801
Fair Value Adjustment	-	19 871	77 919	131	97 921
	<b>5 000</b>	<b>28 156</b>	<b>77 919</b>	<b>2 647</b>	<b>113 722</b>

### 9. Current Receivables

Deposit - Electricity	334 651	316 094
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The deposit is held by Eskom for bulk services rendered to the municipality.

### 10. Inventories

Consumable stores	6 251 292	5 217 262
Water	99 374	87 548
Unsold Properties Held for Resale	919 000	919 000
	<b>7 269 666</b>	<b>6 223 810</b>

### Stores

There is only one centralize store within the municipality. The store consits mainly of maintenance items for the Water, Sanitation and Electricity departments as well as stationary and protective clothing for the municipality.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014	
<b>11. Receivables from exchange transactions</b>			
Trade debtors	103 717 191	93 690 969	
Provision for doubtful debts	(33 089 768)	(27 371 247)	
Other receivables	5 654 218	5 117 686	
Other receivables - new connections	868 485	257 349	
	<b>77 150 126</b>	<b>71 694 757</b>	
<b>30 June 2015 Trade Receivables</b>			
	<b>Gross</b>	<b>Provision</b>	<b>Total</b>
Electricity	13 144 502	(3 168 348)	9 976 154
Water	32 909 617	(12 141 836)	20 767 781
Sewerage	10 761 655	-	10 761 655
Refuse	8 120 481	(3 075 745)	5 044 736
VAT	14 130 463	(5 226 688)	8 903 775
Other	24 650 473	(9 477 151)	15 173 322
Subtotal	103 717 191	(33 089 768)	70 627 423
<b>Other Receivables</b>			
Other Receivables	5 654 218	-	5 654 218
Other Receivables - new connections	868 485	-	868 485
	<b>110 239 894</b>	<b>(33 089 768)</b>	<b>77 150 126</b>
<b>30 June 2014 Trade Receivables</b>			
	<b>Gross</b>	<b>Provision</b>	<b>Total</b>
Electricity	15 388 450	(3 038 047)	12 350 403
Water	29 489 608	(10 150 426)	19 339 182
Sewerage	8 133 415	-	8 133 415
Refuse	6 392 640	(2 232 455)	4 160 185
VAT	14 891 658	(5 079 337)	9 812 321
Other	19 395 198	(6 870 983)	12 524 215
Subtotal	93 690 969	(27 371 248)	66 319 721
<b>Other Receivables</b>			
Other Receivables	5 375 035	-	5 375 035
	<b>99 066 004</b>	<b>(27 371 248)</b>	<b>71 694 756</b>



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 11. Receivables from exchange transactions (continued)

#### Trade and other receivables past due

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 14 973 313 (2014: R 16 871 028.00) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	-	129 929
2 months past due	9 786 270	11 824 491
3 months past due	5 187 043	4 916 607

2015 Gross Ageing per Group	Business	Farms	Government	Households	Industrial
Current	1 812 247	12 371	1 256 952	5 543 060	420 579
31 - 60 days	93 902	6 937	682 112	2 874 679	46 802
61 - 90 days	206 874	6 890	314 760	3 340 593	45 448
91 - 120 days	353 702	5 619	166 310	3 440 103	39 013
120 + days	4 282 544	121 946	2 081 640	70 076 652	632 015
	<b>6 749 269</b>	<b>153 763</b>	<b>4 501 774</b>	<b>85 275 087</b>	<b>1 183 857</b>

#### 2015 Gross Ageing per Group

	Others	Sundry Accounts
Current	710 777	30 283
31 - 60 days	485 297	7 437
61 - 90 days	351 640	12 569
91 - 120 days	180 368	6 869
120 + days	2 844 889	386 313
	<b>4 572 971</b>	<b>443 471</b>

2014 Gross Ageing per Group	Business	Farms	Government	Household	Industrial
Current	5 256 654	5 314	746 876	4 777 485	615 694
31 - 60 days	1 019 392	3 780	294 677	2 830 272	565 870
61 - 90 days	557 246	3 374	296 153	3 361 938	760 207
91 - 120 days	430 160	2 805	239 683	2 257 737	317 017
120 + days	13 377 192	82 437	2 939 925	48 045 288	1 688 896
	<b>20 640 644</b>	<b>97 710</b>	<b>4 517 314</b>	<b>61 272 720</b>	<b>3 947 684</b>

#### 2014 Gross Ageing per Group

	Others	Sundry Accounts
Current	542 932	12 019
31 - 60 days	190 973	11 644
61 - 90 days	157 083	6 540
91 - 120 days	93 638	181 010
121 + days	1 919 468	99 590
	<b>2 904 094</b>	<b>310 803</b>

30 June 2015	Electricity	Water	Sewerage	Refuse	VAT	Other
Current	4 007 531	2 395 623	789 184	486 197	1 078 799	1 028 936
31 - 60 days	1 537 202	1 389 932	411 551	256 636	514 651	924 193
61 - 90 days	1 039 579	1 281 645	381 859	234 323	434 951	906 417
91 - 120 days	753 196	1 641 172	351 701	199 245	416 726	829 945
121+ days	5 806 994	26 201 245	8 827 360	6 944 080	11 685 337	20 960 982
	<b>13 144 502</b>	<b>32 909 617</b>	<b>10 761 655</b>	<b>8 120 481</b>	<b>14 130 464</b>	<b>24 650 473</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand 2015 2014

### 11. Receivables from exchange transactions (continued)

30 June 2014	Electricity	Water	Sewerage	Refuse	VAT	Other
Current	4 882 773	1 530 802	759 522	299 345	902 054	611 972
31 - 60 days	1 249 120	831 456	408 893	155 562	374 524	565 646
61 - 90 days	926 480	1 229 433	503 742	138 933	368 578	540 339
91 - 120 days	458 678	622 221	378 442	129 278	240 810	683 905
121 - 365 days	4 833 353	15 125 270	6 082 816	3 437 067	7 926 355	10 119 798
	<b>12 350 404</b>	<b>19 339 182</b>	<b>8 133 415</b>	<b>4 160 185</b>	<b>9 812 321</b>	<b>12 521 660</b>

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	27 371 247	24 401 712
Provision for impairment	17 625 183	13 019 536
Amounts written off as uncollectible	(11 906 662)	(10 050 001)
	<b>33 089 768</b>	<b>27 371 247</b>

### 12. Receivables from non-exchange transactions

Rates	24 046 069	19 317 954
Other receivables from non-exchange revenue	719 152	719 152
	<b>24 765 221</b>	<b>20 037 106</b>

### Receivables from non-exchange transactions

The ageing of amounts past due but not impaired is as follows:

Current	2 234 851	2 267 549
31 - 60 days	941 867	1 090 700
61 - 90 days	908 268	986 551
91 - 120 days	834 176	891 400
121 + days	19 126 906	14 081 754

30 June 2015 Ageing per Group	Current	31 - 60 days	61 - 90 days	91 - 120 days	121 + days
Business	629 057	114 371	108 558	107 431	1 971 416
Farms	54 214	48 260	50 046	41 991	520 043
Government	162 737	114 929	113 341	110 518	2 057 944
Household	969 714	543 929	514 300	467 816	12 945 462
Industrial	230 203	87 926	90 844	76 789	1 202 478
Others	188 906	32 433	31 160	29 612	429 341
Sundry Accounts	20	20	20	20	221
	<b>2 234 851</b>	<b>941 868</b>	<b>908 269</b>	<b>834 177</b>	<b>19 126 905</b>

30 June 2014 Ageing per Group	Current	31 - 60 days	61 - 90 days	91 - 120 days	121 + days
Business	633 114	221 216	204 935	201 401	2 208 585
Farms	33 988	26 546	24 221	21 493	244 414
Government	142 900	136 623	135 535	83 922	1 330 602
Household	1 046 284	569 591	500 825	469 979	8 922 128
Industrial	173 378	102 438	91 179	87 675	959 770
Others	237 865	34 266	29 835	26 930	416 256
Sundry Accounts	20	20	21	-	-
	<b>2 267 549</b>	<b>1 090 700</b>	<b>986 551</b>	<b>891 400</b>	<b>14 081 755</b>

# Modimolle Local Municipality

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### 12. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions for Traffic Fines of R 70 120 (2014: R63 700) were impaired and provided for.

The amount of the provision was R 133 910 as of 30 June 2015 (2014: R 63 700).

30 June 2015 Reconciliation of Fines	Gross	Provision	Total
Traffic Fines	133 910	(133 910)	-
30 June 2014 Reconciliation of Fines	Gross	Provision	Total
Traffic Fines	63 700	(63 700)	-
<b>Reconciliation of provision for impairment of Fines:</b>			
Opening Balance		63 700	-
Contribution to Provision		70 210	63 700
		<b>133 910</b>	<b>63 700</b>

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 800	2 800
Bank balances	6 473 675	6 918 215
Call deposits	7 026 323	27 847 762
	<b>13 502 798</b>	<b>34 768 777</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Standard Bank Limited (Modimolle) - Current account 330506137	5 742 687	12 546 548	26 165 274	6 348 125	6 792 665	21 145 259
First National Bank (Modimolle) Current Account Number	-	-	-	-	-	4 142 073
<b>Total</b>	<b>5 742 687</b>	<b>12 546 548</b>	<b>26 165 274</b>	<b>6 348 125</b>	<b>6 792 665</b>	<b>25 287 332</b>

### 14. Housing Development Reserve

Opening / Closing balance	483 263	483 263
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### 15. Other financial liabilities

#### At amortised cost

Development Bank of Southern Africa Account number 10467. Redemption date: 30 September 2017. Interest rate 12%. Payment terms 6 monthly.	674 088	893 401
Development Bank of Southern Africa Account number 13537. Redemption date: 31 March 2020. Interest rate 3 month Jibar + Margin. Payment terms 3 Monthly.	701 672	849 392
	<b>1 375 760</b>	<b>1 742 793</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>15. Other financial liabilities (continued)</b>		
<b>Total other financial liabilities</b>	<b>1 375 760</b>	<b>1 742 793</b>
<b>Non-current liabilities</b>		
At amortised cost	981 567	1 375 707
<b>Current liabilities</b>		
At amortised cost	394 193	367 086
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1 596 558	1 451 416
- in second to fifth year inclusive	-	1 596 558
	1 596 558	3 047 974
less: future finance charges	145 142	(409 035)
<b>Present value of minimum lease payments</b>	<b>1 741 700</b>	<b>2 638 939</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1 451 416	1 187 522
- in second to fifth year inclusive	-	1 451 416
	<b>1 451 416</b>	<b>2 638 938</b>
Non-current liabilities	-	1 451 417
Current liabilities	1 451 416	1 187 522
	<b>1 451 416</b>	<b>2 638 939</b>
Finance cost recognised in the Statement of Financial Performance	263 894	169 562
The average lease term is 3 years and the effective borrowing rate is 9%. Interest rates are fixed at the contract date. No arrangements have been entered into for the contingent rent. Obligations under finance leases are secured by the lessors title to the leased asset.		
<b>17. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	1 685 578	23 298 789
Department of Energy	-	168 933
	<b>1 685 578</b>	<b>23 467 722</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 18. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	19 512 754	16 249 249	35 762 003
Long-service award	3 247 906	1 774 852	5 022 758
	<b>22 760 660</b>	<b>18 024 101</b>	<b>40 784 761</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	5 691 728	13 821 026	19 512 754
Long-service award	2 333 903	914 003	3 247 906
	<b>8 025 631</b>	<b>14 735 029</b>	<b>22 760 660</b>
Non-current liabilities		40 171 642	22 503 982
Current liabilities		613 119	256 678
		<b>40 784 761</b>	<b>22 760 660</b>

#### Environmental rehabilitation provision

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

30 June 2015	Modimolle	Mabatlane
Escalation rate	7%	7%
Useful life	24 years	24 years
Remaining useful life	2 years	6 years
Restoration area	83 594 sqm	18 038 sqm

30 June 2014	Modimolle	Mabatlane
Discount rate	7%	7%
Escalation rate	7%	7%
Useful life	24 years	24 years
Remaining useful life	2 years	1 years
Restoration area	6300 sqm	5396 sqm

#### Long-service award

A long service award is granted to municipal employees for every five (5) years of service completed from five (5) years of service to forty five (45) years of service inclusive. Employees are also entitled to receive a long service voucher upon reaching twenty five (25) years of service with a maximum value of half of the monthly salary of the recipient.

For the previous year (2014) the municipal employees were granted a long service award for every five (5) years of service completed from ten (10) years of service to forty five (45) years of service inclusive. Employees were also entitled to receive a gold watch on the completion of twenty five (25) years of service and estimated value of the gold watch is R3500.00

The provision represents an estimate of the awards to which employees in the service of the municipality at 30 June 2015 may become entitled to in future, based on actuarial valuation performed at that date.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>18. Provisions (continued)</b>		
<p>The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2015 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the Municipality.</p> <p>The long-service award plans are defined benefit plans. As at year-end 350 employees were eligible for long-service awards.</p> <p>The Long-Service award actuarial valuation was independently performed by ARCH Actuarial Consultants. The report was prepared by Chanan Weiss BSc FFA. Chanan Weiss is a Fellow of the Actuarial Society of South Africa.</p>		
<b>The history of Liabilities, Assets and Experience Adjustment</b>	2015	2014
Present value of defined benefit obligation	5 022 758	3 247 906
<b>History of Experience Adjustments: Gains and Losses</b>	2015	2014
Liabilities: (Gain)/Loss	384 864	880 224
<b>The Principal assumptions used for the purposes of the actuarial valuations were as follows:</b>	2015	2014
Discount Rate	7.96 %	7.99 %
Expected rate of salary increase	7.06 %	7.16 %
Net effective discount rate	0.84 %	0.78 %
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>	2015	2014
Present value of Fund obligations	5 022 758	3 247 906
<b>The amount recognised in the Statement of Financial Performance are as follows:</b>	2015	2014
Current service cost	376 209	261 221
Interest cost	249 593	159 049
Actuarial loss	366 890	792 877
Expected employee benefit vesting	(256 678)	(299 144)
Past-service cost recognised	1 038 838	-
	<b>1 774 852</b>	<b>914 003</b>
<b>Reconciliation of the present value of defined benefit obligation to fair value of liability:</b>	2015	2014
Balance at the beginning of year	3 247 906	2 333 903
Current-service Cost	376 209	261 221
Interest Cost	249 593	159 049
Expected employee benefit vesting	(256 678)	(299 144)
Actuarial Loss	366 890	792 877
Past-service cost recognised	1 038 838	-
	<b>5 022 758</b>	<b>3 247 906</b>
<b>19. Payables from exchange transactions</b>		
Trade payables	27 307 286	4 355 726
Payments received in advanced	5 065 994	3 854 532
Retentions	3 952 956	3 505 328
Other creditors	15 947 485	14 791 505
Accrued leave pay	11 902 890	10 683 685
	<b>64 176 611</b>	<b>37 190 776</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>19. Payables from exchange transactions (continued)</b>		
<b>The movement in the leave pay accrual can be reconciled as follows:</b>		
Opening balance	10 683 685	6 916 371
Contributions to provisions	1 435 949	4 157 563
Expenditure incurred	(216 744)	(390 249)
	<b>11 902 890</b>	<b>10 683 685</b>
<b>20. VAT payable</b>		
VAT payable	30 139 824	25 862 248
VAT is payable on the receipts basis. VAT is paid over to SARS only once the payment is recieved from debtors.		
<b>21. Consumer deposits</b>		
Electricity and water	3 767 170	3 668 359
No interest is paid on the consumer deposits.		
<b>22. Revenue</b>		
Service charges	133 475 066	122 769 235
Rental of facilities and equipment	190 320	558 025
Interest received (trading)	9 201 453	9 691 873
Agency services	3 941 305	2 421 498
Fair Value of Shares	4 234	97 921
Other income - (rollup)	7 898 917	7 536 075
Interest received - investment	1 768 997	2 712 028
Property rates	30 372 063	27 774 000
Government grants & subsidies	108 641 143	105 807 536
Fines, Penalties and Forfeits	107 995	102 800
	<b>295 601 493</b>	<b>279 470 991</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	133 475 066	122 769 235
Rental of facilities and equipment	190 320	558 025
Interest received (trading)	9 201 453	9 691 873
Agency services	3 941 305	2 421 498
Fair Value of Shares	4 234	97 921
Other income - (rollup)	7 898 917	7 536 075
Interest received - investment	1 768 997	2 712 028
	<b>156 480 292</b>	<b>145 786 655</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	30 372 063	27 774 000
<b>Transfer revenue</b>		
Government grants & subsidies	108 641 143	105 807 536
Fines, Penalties and Forfeits	107 995	102 800
	<b>139 121 201</b>	<b>133 684 336</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 23. Property rates

#### Rates received

Residential	12 269 568	11 269 037
Commercial	14 186 374	12 940 613
State	1 266 216	1 179 093
Small holdings and farms	2 642 419	2 377 465
Church	7 486	7 792
	<b>30 372 063</b>	<b>27 774 000</b>

#### Valuations

Residential	37 075 874 095	34 796 747 740
Commercial	7 578 235 165	5 995 823 757
State	798 036 000	737 194 000
Church	2 317 320 504	24 420 000
Agricultural	38 035 221 342	34 015 718 552
	<b>85 804 687 106</b>	<b>75 569 904 049</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

### 24. Service charges

Sale of electricity	79 723 950	78 216 863
Sale of water	35 980 509	27 616 138
Refuse removal	6 853 031	6 256 184
Sewerage and sanitation charges	10 917 576	10 680 050
	<b>133 475 066</b>	<b>122 769 235</b>



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	58 641 932	57 283 000
Financial Management Grant	1 481 560	1 497 228
Municipal Systems Improvement Grant	934 000	890 000
Municipal Infrastructure Grant	1 456 211	1 561 920
Extended Public Works Programme	1 502 000	1 000 000
	<u>64 015 703</u>	<u>62 232 148</u>
<b>Capital grants</b>		
Financial Management Grant	118 440	52 772
Municipal Infrastructure Grant	39 507 000	29 175 018
Department of Energy Grants	5 000 000	14 347 598
	<u>44 625 440</u>	<u>43 575 388</u>
	<b><u>108 641 143</u></b>	<b><u>105 807 536</u></b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is funded from the grant.

### Financial Management Grant

Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	<u>-</u>	<u>-</u>

To promote and support reforms in financial management by building capacities in municipalities to implements the Municipal Finance Management Act (MFMA).

Conditions still to be met - remain liabilities (see note 17).

### Municipal Systems Improvement Grant

Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	<u>-</u>	<u>-</u>

To assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

Conditions still to be met - remain liabilities (see note 17).

### Municipal Infrastructure Grant

Balance unspent at beginning of year	23 298 789	16 664 727
Current-year receipts	19 350 000	37 371 000
Conditions met - transferred to revenue	(40 963 211)	(30 736 938)
	<b><u>1 685 578</u></b>	<b><u>23 298 789</u></b>

To provide specific capital finance for the basic municipal infrastructural backlog for poor household, micro enterprise and social institution servicing poor communities.

Conditions still to be met - remain liabilities (see note 17).

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>25. Government grants and subsidies (continued)</b>		
<b>Department of Energy</b>		
Balance unspent at beginning of year	168 933	7 216 531
Current-year receipts	5 000 000	7 300 000
Conditions met - transferred to revenue	(5 000 000)	(14 347 598)
Amount paid back to National Revenue Fund	(168 933)	-
	<u>-</u>	<u>168 933</u>

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Conditions still to be met - remain liabilities (see note 17).

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no 1 of 2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 26. Other revenue

Fair value of Shares	4 234	97 921
Other income - (rollup)	7 898 917	7 536 075
	<u>7 903 151</u>	<u>7 633 996</u>

### 27. Other income

Fire Brigade	2 591 859	1 820 549
Photo Copies	-	379
Cemetery Fees	199 499	180 976
Continuous Members Medical Aid Contributions	110 558	194 541
Connection and Reconnection Fees	2 943 597	3 010 221
Sundry Income	108 824	278 432
Building Fees	107 409	120 477
Repayments LGSETA	184 950	105 610
Hawkers Permits	2 266	647
Sub Division Applications	49 384	35 827
Membership Fees	13 718	17 213
Insurance Claims	13 065	-
Clearance and Valuation Certificate	155 454	170 554
Bulk Contributions	1 176 402	1 462 312
Surplus Cash	215	308
Tender Documents	195 296	84 887
Advertising Boards	34 421	38 142
Sale of Erven	12 000	15 000
	<u>7 898 917</u>	<u>7 536 075</u>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>28. General expenses</b>		
Advertising	333 470	467 559
Auditors Fees	3 246 161	2 953 861
Bank charges	736 994	623 912
Cleaning	112 495	109 372
Commission paid	1 344 241	897 146
Consulting and professional fees	6 356 177	4 184 091
Entertainment	91 379	128 207
Insurance	1 019 623	769 178
Conferences and seminars	114 405	172 200
IT expenses	33 951	335 299
Marketing	172 514	148 664
Publications	52 235	105 578
Motor vehicle expenses	6 380 291	3 789 730
Postage and courier	938	1 760
Printing and stationery	1 557 067	1 813 001
Promotions	9 489	66 977
Protective clothing	254 027	310 280
Subscriptions and membership fees	1 098 010	843 018
Telephone and fax	1 820 231	1 927 974
Transport and freight	-	100 276
Training	276 419	484 389
Travel - local	1 283 174	1 902 516
Refuse Bags	8 772	65 567
Other expenses	3 083 214	2 669 013
Job Evaluation	15 000	-
Council committee	1 079 662	1 097 220
Funeral assistance	22 500	52 500
Special Projects	229 066	590 509
Chemicals	1 475 563	1 391 816
Municipal Strategy	120 345	286 185
Disaster Management	30 161	61 313
Bursaries	90 800	240 906
EAP Referrals	30 521	28 678
Material and Stock	-	157
Occupational Health and Safety	37 580	43 710
Municipal Programs	116 033	298 697
Performance Management	-	320 829
Programming	1 310 612	1 556 114
Long Service Awards	-	38 682
Master Plan	234 597	778 294
SMME and Co-Op Development	20 813	28 000
Seeds and Plants	-	3 140
Test Water Samples	264 849	286 117
Valuation Cost	774 860	372 357
Youth Volunteer ID	-	54 093
Public Participation	112 360	1 200 978
Vehicle Rental	-	1 418 745
GIS	192 200	-
	<b>35 542 799</b>	<b>35 018 608</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>29. Employee related costs</b>		
Employee related costs - Salaries and Wages	69 701 308	60 672 038
Other Employee Related Costs	4 898 190	8 845 353
Employee related costs - Contributions for UIF, Pensions and Medical Aids	16 569 837	14 040 192
Travel, motor car, accommodation, subsistence and other allowances	4 970 821	3 371 657
Overtime payments	6 163 886	5 359 679
Housing benefits and allowances	1 056 262	937 096
Cell Phone Allowance	9 655	8 018
	<b>103 369 959</b>	<b>93 234 033</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	900 372	403 879
Car Allowance	125 432	50 000
Contributions to UIF, Medical and Pension Funds	209 269	93 743
	<b>1 235 073</b>	<b>547 622</b>
The Municipal Manager was appointed from 1 January 2014.		
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	759 086	760 202
Car Allowance	93 866	101 597
Contributions to UIF, Medical and Pension Funds	176 633	162 827
	<b>1 029 585</b>	<b>1 024 626</b>
The CFO resigned during 2014/2015 financial year, the last day in office was 30 June 2015.		
<b>Manager Corporate Services</b>		
Annual Remuneration	526 896	518 598
Car Allowance	158 370	151 445
Contributions to UIF, Medical and Pension Funds	166 760	155 003
	<b>852 026</b>	<b>825 046</b>
<b>Manager Social Services</b>		
Annual Remuneration	28 207	-
Car Allowance	7 500	-
Contributions to UIF, Medical and Pension Funds	8 426	-
	<b>44 133</b>	<b>-</b>
The Manager Social Services was appointed from 1 June 2015.		
<b>Manager Technical Services</b>		
Annual Remuneration	529 505	520 525
Car Allowance	134 065	162 190
Contributions to UIF, Medical and Pension Funds	149 488	122 826
	<b>813 058</b>	<b>805 541</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>30. Remuneration of councillors</b>		
Cllr Lekalakala (Mayor)	749 132	708 439
Cllr Kekana (Exco Member)	566 063	545 792
Cllr Fereira (Exco Member)	321 034	290 098
Cllr Sebolai (Speaker)	613 656	570 594
Cllr Mashitsho (Chief Whip)	566 450	546 940
Cllr Botes (Chairperson: Budget and Treasury)	300 813	294 047
Cllr Nel	239 051	229 693
Cllr Mashaba (Chairperson: MPAC)	300 812	305 579
Cllr Nyama	239 051	229 693
Cllr Khanya	249 737	227 824
Cllr Mojela (Chairperson: Technical Services)	300 809	291 032
Cllr Marutha (Chairperson: Social Services)	300 809	291 032
Cllr Ledwaba	257 958	236 056
Cllr Moropene	240 506	229 693
Cllr Sebelebele	239 051	229 693
Cllr Motshegoa (Chairperson: Planning)	300 809	286 840
Cllr Olifant (Chairperson: Corporate Portfolio)	317 354	286 371
Cllr Laubscher	239 062	135 075
Cllr van Aswegen (Exco member: July'14 - Aug'14)	-	45 996
	<b>6 342 157</b>	<b>5 980 487</b>

### In-kind benefits

The Mayor, Speaker, Chief Whip and one Executive Committee Member are full-time. The Mayor, Speaker and Chief Whip is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties.

### 31. Investment earned - external investments

#### Interest revenue

Bank	1 750 440	2 695 350
Eskom deposit	18 557	16 678
	<b>1 768 997</b>	<b>2 712 028</b>

### 32. Depreciation and amortisation

Property, plant and equipment	49 266 434	41 850 071
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### 33. Impairment of assets

#### Impairments

Property, plant and equipment	478 776	2 400 677
Assets were impaired according to specific indicators including: Vandalism, physical damage, discontinued assets and assets that became idle.		

The main classes of assets affected by impairment losses are:

Infrastructure

Other Assets

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>34. Finance costs</b>		
Finance leases	263 894	200 383
Current borrowings	167 912	215 614
Provisions	2 586 153	2 334 637
	<b>3 017 959</b>	<b>2 750 634</b>
<b>35. Auditors' Fees</b>		
Auditor General Fees	3 162 741	2 806 237
Internal Audit Committee Fees	83 420	147 624
	<b>3 246 161</b>	<b>2 953 861</b>
<b>36. Rental of facilities and equipment</b>		
<b>Premises</b>		
Rental of facilities	190 320	558 025
<b>37. Contracted services</b>		
Legal services	3 150 246	3 328 725
Security services	7 148 576	6 493 663
	<b>10 298 822</b>	<b>9 822 388</b>
<b>38. Bulk purchases</b>		
Electricity	78 286 845	70 003 760
Water	6 400 007	7 426 664
	<b>84 686 852</b>	<b>77 430 424</b>
<b>39. Cash generated from operations</b>		
Deficit	(30 192 545)	(15 588 691)
<b>Adjustments for:</b>		
Depreciation and amortisation	49 266 434	41 850 071
(Loss) gain on sale of assets and liabilities	(1 917)	590 530
Gain on discontinued operations	891 496	448 598
Finance costs - Finance leases	263 894	200 383
Impairment deficit	478 776	2 400 677
Debt impairment	17 695 393	13 886 529
Movements in retirement benefit assets and liabilities	3 966 529	5 470 210
Movements in provisions	18 024 101	14 735 029
Current Service cost	-	2 572 925
<b>Actuarial Gains</b>		
Inventories	(1 045 856)	(125 824)
Receivables from exchange transactions	(5 455 369)	(12 007 280)
Consumer debtors	(17 695 393)	(13 886 529)
Other receivables from non-exchange transactions	(4 728 115)	(5 465 685)
Payables from exchange transactions	26 985 831	5 649 035
VAT	4 277 576	4 726 074
Unspent conditional grants and receipts	(21 782 144)	(413 536)
Consumer deposits	98 811	641 597
	<b>41 047 502</b>	<b>45 684 113</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>40. Contingencies</b>		
<b>Pending Legal Cases:</b>		
<b>Modimolle vs Farmers</b>		
Nkopodi Phatudi vs Modimolle - Alleged nonpayment of services rendered	1 335 750	-
CXMi (AL Energy) (Pty) Ltd vs Modimolle - Claim for loss of profit.	32 000 000	32 000 000
P Bezuidenhout vs DS Erasmus & Modimolle - Alleged Rent arrears	5 600	5 600
WJK Rademeyer vs Modimolle - Alleged damage suffered as result of the Municipal failure to fix the road/potholes	8 432	8 432
Xylem Water Solutions SA (Pty) Ltd vs Modimolle - Supplied of goods and services not paid	-	1 602 144
JB Pienaar vs Modimolle - Legal Cost	22 000	22 000
Klub Lekkerrus/Libertas vs Modimolle - Refund of erroneous payments	45 392	45 392
Bakgalaka-Holdings Moretele JV vs Modimolle - Nonpayment of services rendered	-	1 971 008
Telkom SA SOC Ltd vs Modimolle - Alleged Cable Damage	564 640	564 640
NL Makoko vs Modimolle - Alleged damage suffered as a result of the collusion	9 500	9 500
M Mamabolo vs JA Edwards & Modimolle - Alleged damage suffered as a result of a motor vehicle collision caused by our employee	15 834	15 834
Sebata Municipal Services (Pty) Ltd vs Modimolle - Alleged services not rendered and not paid	135 494	135 494
Lesperance Sebenzani Joint vs Modimolle - Alleged termination of contract without following the prescribed procedure	4 654 022	4 654 022
	<b>38 796 664</b>	<b>41 034 066</b>

## 41. Prior period errors

The correction of the error(s) results in adjustments as follows:

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>41. Prior period errors (continued)</b>		
<b>Statement of financial position</b>		
<b>Inventories</b>		
Balance as at 30 June 2014 on 2013/2014 Financial Statement	-	6 385 707
Correction on General Expenditure - Store items not accounted as expenditure	-	(151 821)
Correction on suspense account	-	(1)
Correction on payables double accounted for in previous year	-	(10 075)
<b>Restated Balance of Inventories</b>	<b>-</b>	<b>6 223 810</b>
<b>Receivables from exchange transactions</b>		
Balance as at 30 June 2014 on 2013/2014 Financial Statement	-	71 697 167
Correction on Receivables from exchange transactions - 2010/11 other debtor balance	-	(2 410)
	<b>-</b>	<b>71 694 757</b>
<b>Receivables from non-exchange transactions</b>		
Balance as at 30 June 2014 on 2013/2014 Financial Statement	-	24 179 767
Correction on operating leases	-	(588)
Correction on Other Debtors - FNB Cashbook write-off	-	(4 142 073)
<b>Restated Balance of Non-Exchange Transactions</b>	<b>-</b>	<b>20 037 106</b>
<b>Non-Current Liabilities - Finance Lease Obligations</b>		
Balance as at 30 June 2014 on 2013/2014 Financial Statement	-	133 046
Correction on incremental interest rates and annualisation of lease periods	-	1 318 371
<b>Restated Balance of Non-Current Liabilities - Finance Lease Obligations</b>	<b>-</b>	<b>1 451 417</b>
<b>Current Liabilities - Finance Lease Obligations</b>		
Balance as at 30 June 2014 on 2013/2014 Financial Statement	-	858 631
Correction on incremental interest rates and annualisation of lease periods	-	328 891
<b>Restated Balance of Current Liabilities Finance Lease Obligations</b>	<b>-</b>	<b>1 187 522</b>
<b>Property, Plant and Equipment</b>		
Balance as at 30 June 2014 on 2013/2014 Financial Statement	-	882 662 397
Correction on Work in Progress - Professional Fees	-	(120 651)
Correction on expenditure double accounted in previous year	-	(4 267)
Correction on Depreciation	-	233 675
Correction on Office Equipment Accessories	-	(1 062)
<b>Restated Balance of Property, Plant and Equipment</b>	<b>-</b>	<b>882 770 092</b>
<b>VAT Payable</b>		
Balance as at 30 June 2014 on 2013/2014 Financial Statement	-	25 871 661
Correction on General Expenditure not accounted	-	(9 102)
Correction on Other Revenue - Incorrectly accounted as Revenue	-	(311)
<b>Restated Balance of VAT Payable</b>	<b>-</b>	<b>25 862 248</b>
<b>Payables from exchange transactions</b>		
Balance as at 30 June 2014 on 2013/2014 Financial Statement	-	36 415 732
Correction on Creditors that was paid in previous year but were still reflected as not paid.	-	(14 055)
Correction on Creditors - bulk purchase not reflected as Creditors	-	32 000
Correction on Creditors that was paid in the previous year	-	592 085
Correction on Creditors - bulk purchase not reflected as Creditors	-	21 632
Correction on Creditors - Employee cost not reflected as Creditors	-	26 744



# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>41. Prior period errors (continued)</b>		
Correction on Creditors - General Expenditure not accounted	-	74 118
Correction on Creditors - Other Revenue incorrectly accounted as Revenue	-	2 528
Correction on Suspence Accounts - 2010/11 credit notes	-	(1 444)
Correction on Suspence Accounts - 2010/11 and 2011/12 credit notes	-	(2 382)
Correction on Suspence Accounts - 2010/2011 Credit notes	-	(11 096)
Correction on Suspence Account - 2012/2013 Receipt	-	(50)
Correction on Employee Cost - Not accounted as Creditors	-	32 413
Correction on Employee Cost - Not accounted as Creditors	-	118 343
Correction on Creditors that was paid in previous year but were still reflected as not paid	-	(95 792)
<b>Restated Balance of Payables from exchange transactions</b>	<b>-</b>	<b>37 190 776</b>
<b>Net Assets - Accumulated Surplus</b>		
Balance as at 30 June 2014 on 2013/2014 Financial Statement	-	890 470 634
Correction on operating leases	-	(588)
Correction on finance leases - incremental interest rates and annualisation of lease periods	-	(1 647 261)
Correction of General Expenditure - Creditors payments double accounted in previous year.	-	14 055
Correction of Employee Related Cost - Wages not accounted	-	(592 085)
Correction on Bulk Purchases - Water Purchases not accounted	-	(32 000)
Correction on Bulk Purchases - Water Purchases not accounted	-	(21 632)
Correction on Employee Cost - Travel allowance of employee not reflected	-	(26 745)
Correction on General Expenditure not reflected	-	(65 016)
Correction on General Expenditure - Stores items not accounted as expenditure	-	(151 821)
Correction on Other Revenue - Incorrectly accounted as Revenue	-	(2 217)
Correction on Receivables from non-exchange transactions - Cashbook write-off	-	(4 142 073)
Correction on Payables from exchange transactions - 2010/11 credit notes	-	1 444
Correction on Receivables from exchange transactions - 2010/11 other debtor balance	-	(2 411)
Correction on Payables from exchange transactions - 2010/11 and 2011/12 credit note not accounted	-	2 383
Correction on Inventories - 2012/2013 Journal Correction	-	(1)
Correction on Suspence Accounts - 2010/2011 Credit notes	-	11 096
Correction on Suspence Account - 2012/2013 Receipt	-	50
Correction on PPE - Expensing work in process	-	(120 651)
Correction on Employee Cost - not accounted as expenditure	-	(32 413)
Correction on Creditors - Employee cost not accounted as expenditure	-	(118 343)
Correction on Creditors - Expenditure double accounted in previous year	-	81 450
Correction on Depreciation	-	233 675
	-	(1 062)
<b>Restated Balance of Accumulated Surplus</b>	<b>-</b>	<b>883 858 468</b>
<b>Statement of Financial Performance</b>		
Balance as at 30 June 2014 on 2013/14 Financial Statement	-	14 997 879
<b>Revenue</b>		
Correction on Other Revenue - Incorrectly accounted as Revenue	-	2 217
<b>Expenditure</b>		
Correction of General Expenditure - Creditors payments double accounted in previous year.	-	(14 055)
Correction of Employee Related Cost - Wages not accounted	-	592 085
Correction on Bulk Purchases - Water Purchases not accounted	-	32 000
Correction on Bulk Purchases - Water Purchases not accounted	-	16 632
Correction on Employee Cost - Travel allowance of employee not reflected	-	26 745
Correction on General Expenditure - Expenditure not accounted	-	65 016
Correction on General Expenditure - Stores items not accounted	-	151 821
Correction on Employee Cost - Expenditure not accounted	-	32 413

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>41. Prior period errors (continued)</b>		
Correction on General Expenditure - Creditors double accounted in previous year	-	(81 450)
Correction on Depreciation	-	(233 675)
Correction on General Expenditure - Stationery	-	1 062
<b>Restated Balance of Surplus for the year</b>	<b>-</b>	<b>15 588 690</b>
<b>Cash flow statement</b>		
<b>Cash flow from operating activities</b>		
Balance as at 30 June 2014 on 2013/14 Financial Statement	-	41 436 003
Correction on Other Revenue	-	4 142 073
Correction on Other Payments	-	106 037
<b>Restated Balance for Cash flow from operating activities</b>	<b>-</b>	<b>45 684 113</b>
<b>Cash flow from investing activities</b>		
Balance as at 30 June 2014 on 2013/14 Financial Statement	-	58 016 907
Correction on Other Payments	-	4 249 173
Correction on purchase of PPE	-	(1 063)
<b>Restated Balance for Cash Flow from Investing Activities</b>	<b>-</b>	<b>62 265 017</b>

## 42. Risk management

### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Modimolle Municipality	2015 Short-Term Portion	2015 Long-Term Portion	2014 Short-Term Portion	2014 Long-Term Portion
Trade and other payables	64 176 611	-	28 727 541	-
Consumer Deposit	3 767 170	-	3 668 359	-
Unspent Grants	1 685 578	-	23 467 722	-
Borrowings	394 193	981 567	367 086	1 375 707
Finance leases	1 451 416	-	1 187 522	1 451 417
Employee Benefit Obligation	751 428	29 143 750	647 400	25 281 249
Provisions	613 119	23 922 393	256 678	8 682 956
	<b>72 839 515</b>	<b>54 047 710</b>	<b>58 322 308</b>	<b>36 791 329</b>

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 42. Risk management (continued)

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- \* Call Deposits
- \* Notice Deposits
- \* Development Bank of South Africa loans

#### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge a obligation and cause the Municipality to incur financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provisions for default is maintained.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at 12.65% where applicable.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Non Current Investments	117 955	2 818 721
Receivables from exchange transactions	77 150 126	71 694 757
Cash and cash equivalents	13 502 798	34 768 777
Investments	4 056 573	900 000

The provision for bad debts could be allocated between the different classes of debtors as follows:

Modimolle Municipality	2015 %	2015	2014 Percentage	2014 Amount
Electricity	10 %	3 168 348	11 %	3 038 047
Water	37 %	12 141 836	37 %	10 150 426
Refuse	9 %	3 075 745	8 %	2 232 455
VAT	16 %	5 226 688	19 %	5 079 337
Other	28 %	9 477 151	25 %	6 870 983
	<b>100 %</b>	<b>33 089 768</b>	<b>100 %</b>	<b>27 371 248</b>

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 43. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 853 758 635 and that the municipality's total assets exceed its liabilities by R 854 241 898.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 44. Unauthorised expenditure

Opening Balance	27 333 108	1 076 778
Unauthorised expenditure for the current year	22 358 379	26 773 008
Expenditure authorized in terms of section 32 of MFMA	-	(516 678)
	<b>49 691 487</b>	<b>27 333 108</b>

The unauthorised expenditure for the current year is largely due to the Debt Impairment, Depreciation on Assets and Inventory write down.

### 45. Fruitless and wasteful expenditure

Opening Balance	516 540	1 523 580
Fruitless and wasteful expenditure for the current year	264 209	43 897
Written-off as irrecoverable - A266/8/2013	-	(956 230)
Written-off as irrecoverable - A267/8/2013	-	(94 707)
	<b>780 749</b>	<b>516 540</b>

This expenditure is under investigation. The decision whether the expenditure / loss is recoverable, any criminal or disciplinary steps to be taken and material loss recovered or written off is pending the investigation by the Municipal Public Accounts Committee.

### 46. Irregular expenditure

Opening balance	23 785 003	6 058 229
Add: Irregular Expenditure - current year	-	17 726 774
	<b>23 785 003</b>	<b>23 785 003</b>

The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of this investigations. The amount disclosed above may change based on the outcome of these investigations.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand 2015 2014

### 47. Additional disclosure in terms of Municipal Finance Management Act

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MF Marutha	160	-	160
Councillor MS Olifant	1 211	362	1 573
Councillor G Ferreira	392	-	392
Councillor RP Mashaba	31	-	31
Councillor WL Botes	320	-	320
Councillor SJ Moropene	119	-	119
Councillor MS Motshegoa	341	-	341
Councillor SD Sebelebele	280	967	1 247
Councillor J Nel	5	-	5
Councillor MS Ledwaba	196	-	196
	<b>3 055</b>	<b>1 329</b>	<b>4 384</b>

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor SA Sebolai	50	945	995
Councillor MF Marutha	201	-	201
Councillor MS Olifant	1 237	1 571	2 808
Councillor G Ferreira	115	-	115
Councillor RP Mashaba	695	-	695
Councillor WL Botes	609	-	609
Councillor SJ Moropene	109	-	109
Councillor MS Motshegoa	243	-	243
Councillor MS Laubscher	5 505	-	5 505
Councillor SD Sebelebele	471	164	635
	<b>9 235</b>	<b>2 680</b>	<b>11 915</b>

During the year the following Councillors' had arrear accounts outstanding for less than 90 days.

30 June 2015	Current	30 Days
Councillor MS Olifant	684	218
Councillor G Ferreira	379	13
Councillor RP Mashaba	31	-
Councillor WL Botes	320	-
Councillor MF Marutha	87	73
Councillor MS Motshegoa	331	10
Councillor J Nel	5	-
Councillor SD Sebelebele	94	93
Councillor SJ Moropene	115	5
Councillor MS Ledwaba	92	96
	<b>2 138</b>	<b>508</b>

30 June 2014	Current	30 Days
Councillor MF Marutha	201	-
Councillor G Ferreira	115	-
Councillor RP Mashaba	695	-
Councillor WL Botes	609	-

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>47. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Councillor SJ Moropene	109	-
Councillor MS Motshegoa	243	-
Councillor MC Laubscher	5 505	-
	<b>7 477</b>	<b>-</b>

### 48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations for the 2013/2014 that have been condoned by the Municipal Council (A 397/12/2014, A418/2/2015, A 468/6/2015) with the following reasons:

#### Reasons for Deviation

Sole Provider	783 747	324 324
Urgent Requests	442 386	591 388
Special Circumstances	285 535	1 605 548
	<b>1 511 668</b>	<b>2 521 260</b>

### 49. Budget differences

#### Material differences between budget and actual amounts

The excess of actual revenue and expenditure over the final budget of 10% will be explained below.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

2015

2014

### Budget differences (continued)

Discription	Budget	Adjustment Budget	Actual	Variance	% Variance
<b>Revenue</b>					
Property Rates	29 100 000	30 000 000	30 372 063	372 063	1 %
Service Charges - Electricity	82 600 000	85 800 000	79 723 950	(6 076 050)	(7)%
Service Charges - Water	37 500 000	37 500 000	35 980 509	(1 519 491)	(4)%
Service Charges - Sanitation	11 000 000	11 000 000	10 917 576	(82 424)	(1)%
Service Charges - Refuse Removal	6 900 000	6 900 000	6 853 031	(46 969)	(1)%
Rental of facilities and equipment	65 580	222 620	190 320	(32 300)	(15)%
Interest Earned - External Investments	2 400 000	2 400 000	1 768 997	(631 003)	(26)%
Interest Earned - Outstanding Debtors	8 800 000	8 800 000	9 201 453	401 453	5 %
Fines	141 500	141 500	107 995	(33 505)	(24)%
Agency Services	3 600 000	3 625 000	3 941 305	316 305	9 %
Transfers Recognised - Operational	64 267 201	64 132 201	64 015 703	(116 498)	- %
Transfers Recognised - Capital	35 775 800	46 195 589	44 625 440	(1 570 149)	(3)%
Other Revenue	6 860 690	6 081 675	7 903 149	1 821 474	30 %
Gains on disposal of PPE	-	-	1 917	1 917	100 %
Subtotal	289 010 771	302 798 585	295 603 408	(7 195 177)	4
<b>Expenditure</b>					
Employee Related Cost	(101 842 257)	(108 093 617)	(108 185 543)	(91 926)	- %
Remuneration of Councillors	(6 855 200)	(6 855 200)	(6 342 158)	513 042	(7)%
Debt Impairment	(10 000 000)	(15 000 000)	(17 695 393)	(2 695 393)	18 %
Depreciation and Asset Impairment	(30 603 578)	(30 603 578)	(49 745 211)	(19 141 633)	63 %
Finance Charges	(3 035 000)	(3 417 000)	(3 017 959)	399 041	(12)%
Bulk Purchases	(88 000 000)	(87 500 000)	(84 686 852)	2 813 148	(3)%
Other Materials	(9 720 374)	(9 852 604)	(10 187 803)	(335 199)	3 %
Contracted Services	(8 355 000)	(8 395 600)	(10 298 822)	(1 903 222)	23 %
Other Expenditure	(37 832 252)	(37 540 084)	(35 636 212)	1 903 872	(5)%
Subtotal	(296 243 661)	(307 257 683)	(325 795 953)	(18 538 270)	(9)%
	<b>(7 232 890)</b>	<b>(4 459 098)</b>	<b>(30 192 545)</b>	<b>(25 733 447)</b>	<b>(5)%</b>

### Details on Material Variances - Revenue

1. Rental of facilities and equipment is less than anticipated.
2. Interest earned on Investment is due to the collection rate being lower than anticipated.
3. Fines less than anticipated during the budget process.
4. Other Revenue is more than anticipated due to building plans, clearance certificates and sundry revenue.

### Details on Material Variances - Expenditure

1. Debt Impairment is over the budget due to the bad debt write-off (Note 10) that council approved and impacted on the Debt Impairment contribution
2. Finance cost related to the provision of post retirement benefits and long service awards was less than anticipated.
3. Contracted services is over the budget amount due to the security services and legal fees being more than anticipated.
4. Depreciation is more than anticipated during the budget process.

# Modimolle Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>50. Interest earned - outstanding receivables</b>		
Consumer debtors	9 201 453	9 691 873
<b>51. Distribution Losses</b>		
<b>Water Losses</b>	2015	2014
Average % Loss	29.82 %	19.39 %
<b>Electricity Losses</b>	2015	2015
Average % Loss	26.65 %	26.55 %
<b>52. Commitments</b>		
<b>Commitments</b>		
Modimolle Market Stalls	-	986 090
Limpopo Low Level Bridge	-	1 711 144
Modimolle Waste Water Treatment Plant	25 962 377	11 985 791
Rehabilitation of Lilian Ngoyi	3 311 740	6 624 757
Development of Modimolle Park	-	251 925
Phagameng Street and Storm Water Phase 4	-	1 878 917
Development of Phagameng Ext 6 Sports Facility	-	1 562 367
Bathathu Risk Solutions	1 528 382	1 098 877
Price Waterhouse Coopers	1 352 914	2 371 494
CSS Tirisano	-	23 132
Redrow Chairs	-	4 218
Ngwanamakibane Trading	-	35 940
Redrow Chairs	-	192 136
Payday	9 560	-
Supplycor C.C	39 934	-
Motagane Chem Works	108 300	-
HP	2 954	-
Morar Inc	35 728	-
	<b>32 351 889</b>	<b>28 726 788</b>

### 53. Related Parties

Related parties relates to Senior Management (Note 25) and Councillors (Note 26).



# Modimolle Local Municipality

## Appendix A

June 2015

### Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Development Bank of South Africa</b>							
DBSA	10467	893 400	-	219 313	674 087	-	-
DBSA	13537	849 393	-	147 720	701 673	-	-
		<b>1 742 793</b>	<b>-</b>	<b>367 033</b>	<b>1 375 760</b>	<b>-</b>	<b>-</b>
<b>Bonds</b>							
<b>Other loans</b>							
<b>Lease liability</b>							
<b>Annuity loans</b>							
<b>Government loans</b>							
<b>Total external loans</b>							
Development Bank of South Africa		1 742 793	-	367 033	1 375 760	-	-
		<b>1 742 793</b>	<b>-</b>	<b>367 033</b>	<b>1 375 760</b>	<b>-</b>	<b>-</b>

## June 2015

## Analysis of property, plant and equipment as at 30 June 2015

### Land and buildings

Land (Separate for AFS purposes)	372 280 413	-	-	-	-	-	372 280 413	-	-	-	-	-	372 280 413
Landfill Sites (Separate for AFS purposes)	18 456 904	16 249 250	-	-	-	-	34 706 154	(9 191 241)	-	-	(14 083 707)	(23 274 948)	11 431 206
Buildings (Separate for AFS purposes)	52 279 189	-	-	-	-	386 420	52 665 609	(15 854 097)	-	-	(2 476 994)	(18 331 091)	34 334 518
	<b>443 016 506</b>	<b>16 249 250</b>	-	-	-	<b>386 420</b>	<b>459 652 176</b>	<b>(25 045 338)</b>	-	-	<b>(16 560 701)</b>	<b>(41 606 039)</b>	<b>418 046 137</b>

## Infrastructure

Roads, Pavements & Bridges	243 667 470	29 712 649	2 715 618	(24 565 036)	1 932 652	8 720 962	262 184 315	(60 111 608)	-	-	(12 241 330)	(342 315)	(72 695 253)	189 489 062
Electricity Network	105 863 519	12 612 204	-	(18 819 839)	-	4 414 330	104 070 214	(22 403 751)	-	-	(3 693 465)	(34 816)	(26 132 032)	77 938 182
Electricity Supply Network	1 228 239	-	-	-	-	-	1 228 239	(151 551)	-	-	(86 135)	-	(237 686)	990 553
Water Supply Network	120 231 663	488 630	(570 000)	(188 989)	-	322 482	120 283 786	(34 305 100)	-	-	(6 359 455)	-	(40 664 555)	79 619 231
Sanitation Network	94 542 177	196 718	570 000	-	-	24 439 635	129 284 530	(17 791 895)	-	-	(6 230 613)	-	(24 022 508)	95 726 022
	<b>565 533 068</b>	<b>43 010 201</b>	<b>2 715 618</b>	<b>(43 573 864)</b>	<b>1 932 652</b>	<b>37 897 409</b>	<b>607 515 084</b>	<b>(134 763 905)</b>	<b>-</b>	<b>-</b>	<b>(28 610 998)</b>	<b>(377 131)</b>	<b>(163 752 034)</b>	<b>443 763 050</b>

## Community Assets

Community halls	13 117 541	3 209 571	-	-	-	-	16 327 112	(4 079 855)	-	-	(619 267)	-	(4 699 122)	11 627 990
Recreational facilities	11 376 606	1 266 093	-	-	-	-	12 642 699	(3 721 560)	-	-	(679 112)	-	(4 400 672)	8 242 027
	<b>24 494 147</b>	<b>4 475 664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 969 811</b>	<b>(7 801 415)</b>	<b>-</b>	<b>-</b>	<b>(1 298 379)</b>	<b>-</b>	<b>(9 099 794)</b>	<b>19 870 017</b>

## June 2015

### Analysis of property, plant and equipment as at 30 June 2015

**Heritage assets**  
**Specialised vehicles**  
**Other assets**

General vehicles  
Plant & equipment  
Furniture & Fittings  
Office Equipment  
Office Equipment - Leased  
Library Books  
Other buildings  
Housing

## June 2015

**Modimolle Local Municipality**  
**Modimolle Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals/Transfers Rand	WIP Release Rand	Correction of Error Rand	WIP Rand	Closing Balance Rand	Opening Balance Rand	Disposals/Transfers Rand	Correction of Error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	372 280 413	-	-	-	-	-	372 280 413	-	-	-	-	-	-	372 280 413
Landfill Sites (Separate for AFS purposes)	4 984 815	13 472 089	-	-	-	-	18 456 904	(2 992 200)	-	-	(6 199 041)	-	(9 191 241)	9 265 663
Buildings (Separate for AFS purposes)	52 500 730	394 737	(616 278)	-	-	-	52 279 189	(13 007 560)	437 068	22 168	(2 991 547)	(314 226)	(15 854 097)	36 425 092
	<b>429 765 958</b>	<b>13 866 826</b>	<b>(616 278)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>443 016 506</b>	<b>(15 999 760)</b>	<b>437 068</b>	<b>22 168</b>	<b>(9 190 588)</b>	<b>(314 226)</b>	<b>(25 045 338)</b>	<b>417 971 168</b>
<b>Infrastructure</b>														
Roads and Stormwater Network	222 728 354	-	(6 281 988)	11 289 754	(120 651)	16 052 001	243 667 470	(47 159 019)	212 747	126 148	(11 349 604)	(1 941 880)	(60 111 608)	183 555 862
Electricity network	89 135 307	2 272 237	(321 169)	-	-	14 777 144	105 863 519	(18 781 369)	82 554	1 005	(3 628 013)	(77 928)	(22 403 751)	83 459 768
Electricity supply network	1 228 239	-	-	-	-	-	1 228 239	(65 409)	-	-	(86 142)	-	(151 551)	1 076 688
Water supply network	120 227 382	4 281	-	-	-	-	120 231 663	(27 839 605)	-	9 543	(6 475 038)	-	(34 305 100)	85 926 563
Sanitation network	94 544 895	60 040	(187 796)	-	-	125 038	94 542 177	(11 156 638)	134 225	-	(6 769 482)	-	(17 791 895)	76 750 282
	<b>527 864 177</b>	<b>2 336 558</b>	<b>(6 790 953)</b>	<b>11 289 754</b>	<b>(120 651)</b>	<b>30 954 183</b>	<b>565 533 068</b>	<b>(105 002 040)</b>	<b>429 526</b>	<b>136 696</b>	<b>(28 308 279)</b>	<b>(2 019 808)</b>	<b>(134 763 905)</b>	<b>430 769 163</b>
<b>Community Assets</b>														
Community halls	13 118 666	-	(1 125)	-	-	-	13 117 541	(2 963 118)	654	74 774	(1 143 027)	(49 138)	(4 079 855)	9 037 686
Recreational facilities	11 305 394	-	(378 345)	-	-	449 557	11 376 606	(3 183 195)	303 196	-	(841 561)	-	(3 721 560)	7 655 046
	<b>24 424 060</b>	<b>-</b>	<b>(379 470)</b>	<b>-</b>	<b>-</b>	<b>449 557</b>	<b>24 494 147</b>	<b>(6 146 313)</b>	<b>303 850</b>	<b>74 774</b>	<b>(1 984 588)</b>	<b>(49 138)</b>	<b>(7 801 415)</b>	<b>16 692 732</b>

## June 2015

## Analysis of property, plant and equipment as at 30 June 2014

Heritage assets  
Specialised vehicles  
Other assets

## June 2015

Modimolle Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		Yes/ No
MIG		6 850	-	-	-	2 201	9 702	8 011	21 049	-	-	13 014	-	Poor spending of Grant	Yes
FMG		1 600	-	-	-	182	250	135	1 033	-	-	-	-		Yes
MSIG		934	-	-	-	-	-	200	734	-	-	-	-		Yes
INEG		900	4 100	-	-	-	2 875	2 125	-	-	-	-	-		Yes
EPWP		601	450	451	-	-	464	432	606	-	-	-	-		Yes
		10 885	4 550	451	-	2 383	13 291	10 903	23 422	-	-	13 014	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.



# Modimolle Local Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>															
<b>Governance and administration</b>	<b>77 187 987</b>	<b>1 328 040</b>	<b>78 516 027</b>	-		<b>78 516 027</b>	<b>78 670 920</b>		<b>154 893</b>	<b>100 %</b>	<b>102 %</b>				<b>77 136 305</b>
Executive and council	9 670 937	200 000	9 870 937	-		9 870 937	9 604 789		(266 148)	97 %	99 %				9 232 772
Budget and treasury office	66 995 230	1 000 000	67 995 230	-		67 995 230	68 446 882		451 652	101 %	102 %				67 077 461
Corporate services	521 820	128 040	649 860	-		649 860	619 249		(30 611)	95 %	119 %				826 072
<b>Community and public safety</b>	<b>2 371 830</b>	<b>2 299 546</b>	<b>4 671 376</b>	-		<b>4 671 376</b>	<b>4 674 650</b>		<b>3 274</b>	<b>100 %</b>	<b>197 %</b>				<b>5 690 924</b>
Community and social services	261 810	130 000	391 810	-		391 810	325 898		(65 912)	83 %	124 %				1 372 341
Sport and recreation	16 300	<b>2 144 561</b>	2 160 861	-		2 160 861	1 648 943		(511 918)	76 %	10 116 %				2 395 234
Public safety	2 093 720	24 985	2 118 705	-		2 118 705	2 699 809		581 104	127 %	129 %				1 923 349
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Economic and environmental services</b>	<b>10 114 120</b>	<b>7 151 896</b>	<b>17 266 016</b>	-		<b>17 266 016</b>	<b>18 909 674</b>		<b>1 643 658</b>	<b>110 %</b>	<b>187 %</b>				<b>29 486 459</b>
Planning and development	1 826 640	(80 000)	1 746 640	-		1 746 640	1 637 980		(108 660)	94 %	90 %				2 175 485
Road transport	8 287 480	7 231 896	15 519 376	-		15 519 376	17 271 694		1 752 318	111 %	208 %				27 310 974
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Trading services</b>	<b>199 336 834</b>	<b>3 008 332</b>	<b>202 345 166</b>	-		<b>202 345 166</b>	<b>193 348 167</b>		<b>(8 996 999)</b>	<b>96 %</b>	<b>97 %</b>				<b>167 157 304</b>
Electricity	101 729 135	2 200 000	103 929 135	-		103 929 135	98 974 568		(4 954 567)	95 %	97 %				107 054 725
Water	43 927 816	4 614 700	48 542 516	-		48 542 516	46 236 232		(2 306 284)	95 %	105 %				33 871 442
Waste water management	42 721 048	(3 806 368)	38 914 680	-		38 914 680	36 778 548		(2 136 132)	95 %	86 %				16 477 414
Waste management	10 958 835	-	10 958 835	-		10 958 835	11 358 819		399 984	104 %	104 %				9 753 723
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>				<b>-</b>
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Total Revenue - Standard</b>	<b>289 010 771</b>	<b>13 787 814</b>	<b>302 798 585</b>	<b>-</b>		<b>302 798 585</b>	<b>295 603 411</b>		<b>(7 195 174)</b>	<b>98 %</b>	<b>102 %</b>				<b>279 470 992</b>

# Modimolle Local Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	68 215 216	7 392 765	75 607 981	-	-	75 607 981	93 033 884	-	17 425 903	123 %	136 %	-	-	-	72 592 675
Executive and council	30 250 087	7 401 443	37 651 530	-	-	37 651 530	52 719 105	-	15 067 575	140 %	174 %	-	-	-	38 876 839
Budget and treasury office	19 227 736	1 136 112	20 363 848	-	-	20 363 848	23 071 060	-	2 707 212	113 %	120 %	-	-	-	18 056 650
Corporate services	18 737 393	(1 144 790)	17 592 603	-	-	17 592 603	17 243 719	-	(348 884)	98 %	92 %	-	-	-	15 659 186
Community and public safety	30 156 341	934 337	31 090 678	-	-	31 090 678	27 557 857	-	(3 532 821)	89 %	91 %	-	-	-	26 797 511
Community and social services	16 436 114	(319 050)	16 117 064	-	-	16 117 064	14 457 971	-	(1 659 093)	90 %	88 %	-	-	-	14 101 367
Sport and recreation	7 474 030	419 200	7 893 230	-	-	7 893 230	6 723 465	-	(1 169 765)	85 %	90 %	-	-	-	7 444 759
Public safety	6 246 197	834 187	7 080 384	-	-	7 080 384	6 376 421	-	(703 963)	90 %	102 %	-	-	-	5 251 385
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	38 007 377	600 540	38 607 917	-	-	38 607 917	39 945 644	-	1 337 727	103 %	105 %	-	-	-	36 966 739
Planning and development	10 323 845	8 640	10 332 485	-	-	10 332 485	9 337 942	-	(994 543)	90 %	90 %	-	-	-	8 340 337
Road transport	27 683 532	591 900	28 275 432	-	-	28 275 432	30 607 702	-	2 332 270	108 %	111 %	-	-	-	28 626 402
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	159 864 727	2 086 380	161 951 107	-	-	161 951 107	165 258 569	-	3 307 462	102 %	103 %	-	-	-	156 624 500
Electricity	102 504 500	2 368 200	104 872 700	-	-	104 872 700	103 161 949	-	(1 710 751)	98 %	101 %	-	-	-	91 965 125
Water	34 644 652	(1 414 200)	33 230 452	-	-	33 230 452	33 885 054	-	654 602	102 %	98 %	-	-	-	32 826 535
Waste water management	9 517 934	581 700	10 099 634	-	-	10 099 634	13 631 260	-	3 531 626	135 %	143 %	-	-	-	14 122 192
Waste management	13 197 641	550 680	13 748 321	-	-	13 748 321	14 580 306	-	831 985	106 %	110 %	-	-	-	17 710 648
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	296 243 661	11 014 022	307 257 683	-	-	307 257 683	325 795 954	-	18 538 271	106 %	110 %	-	-	-	292 981 425
Surplus/(Deficit) for the year	(7 232 890)	2 773 792	(4 459 098)	-		(4 459 098)	(30 192 543)		(25 733 445)	677 %	417 %				(13 510 433)

**Modimolle Local Municipality**  
**Appendix G2**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2015**

	2015/2014										2014/2013				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote 1- Executive and Council	9 670 937	200 000	9 870 937	-		9 870 937	9 604 789		(266 148)	97 %	99 %				-
Vote 2 - Budget and Treasury	66 995 230	1 000 000	67 995 230	-		67 995 230	68 446 882		451 652	101 %	102 %				-
Vote 3 - Social Services	16 939 665	2 299 546	19 239 211	-		19 239 211	19 977 174		737 963	104 %	118 %				-
Vote 4 - Corporate Services	479 160	-	479 160	-		479 160	515 527		36 367	108 %	108 %				-
Vote 5 - Technical Services	194 717 339	10 368 268	205 085 607	-		205 085 607	196 891 068		(8 194 539)	96 %	101 %				-
Vote 6 - Planning and Development	208 440	(80 000)	128 440	-		128 440	167 969		39 529	131 %	81 %				-
Total Revenue by Vote	289 010 771	13 787 814	302 798 585	-		302 798 585	295 603 409		(7 195 176)	98 %	102 %				-
Expenditure by Vote to be appropriated															
Vote 1- Executive and Council	30 250 087	7 401 443	37 651 530	-	-	37 651 530	52 719 105	15 067 575	15 067 575	140 %	174 %	-	-	-	-
Vote 2 - Budget and Treasury	19 227 736	1 136 112	20 363 848	-	-	20 363 848	23 071 060	2 707 212	2 707 212	113 %	120 %	-	-	-	-
Vote 3 - Social Services	47 981 631	1 631 817	49 613 448	-	-	49 613 448	46 926 413	-	(2 687 035)	95 %	98 %	-	-	-	-
Vote 4 - Corporate Services	18 595 553	(1 144 790)	17 450 763	-	-	17 450 763	17 175 703	-	(275 060)	98 %	92 %	-	-	-	-
Vote 5 - Technical Services	171 453 009	1 980 800	173 433 809	-	-	173 433 809	178 017 401	4 583 592	4 583 592	103 %	104 %	-	-	-	-
Vote 6 - Planning and Development	8 735 645	8 640	8 744 285	-	-	8 744 285	7 886 271	-	(858 014)	90 %	90 %	-	-	-	-
Total Expenditure by Vote	296 243 661	11 014 022	307 257 683	-	-	307 257 683	325 795 953	22 358 379	18 538 270	106 %	110 %	-	-	-	-
Surplus/(Deficit) for the year	(7 232 890)	2 773 792	(4 459 098)	-		(4 459 098)	(30 192 544)		(25 733 446)	677 %	417 %				

**Modimolle Local Municipality**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2015**

	2015/2014							2014/2013							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	29 100 000	900 000	30 000 000	-		30 000 000	30 372 063		372 063	101 %	104 %				27 774 000
Service charges - electricity revenue	82 600 000	3 200 000	85 800 000	-		85 800 000	79 723 950		(6 076 050)	93 %	97 %				78 216 863
Service charges - water revenue	37 500 000	-	37 500 000	-		37 500 000	35 980 509		(1 519 491)	96 %	96 %				27 616 138
Service charges - sanitation revenue	11 000 000	-	11 000 000	-		11 000 000	10 917 576		(82 424)	99 %	99 %				10 680 050
Service charges - refuse revenue	6 900 000	-	6 900 000	-		6 900 000	6 853 031		(46 969)	99 %	99 %				6 256 184
Rental of facilities and equipment	65 580	157 040	222 620	-		222 620	190 321		(32 299)	85 %	290 %				558 024
Interest earned - external investments	2 400 000	-	2 400 000	-		2 400 000	1 768 997		(631 003)	74 %	74 %				12 403 901
Interest earned - outstanding debtors	8 800 000	-	8 800 000	-		8 800 000	9 201 453		401 453	105 %	105 %				-
Fines	141 500	-	141 500	-		141 500	107 995		(33 505)	76 %	76 %				102 800
Agency services	3 600 000	24 985	3 624 985	-		3 624 985	3 941 305		316 320	109 %	109 %				2 421 498
Transfers recognised - operational	64 267 201	(135 000)	64 132 201	-		64 132 201	64 015 705		(116 496)	100 %	100 %				62 232 148
Other revenue	6 860 690	(779 000)	6 081 690	-		6 081 690	7 905 066		1 823 376	130 %	115 %				7 633 996
Total Revenue (excluding capital transfers and contributions)	253 234 971	3 368 025	256 602 996	-		256 602 996	250 977 971		(5 625 025)	98 %	99 %				234 856 474

**Modimolle Local Municipality**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2015**

2015/2014															2014/2013				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome					
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					
Expenditure By Type																			
Employee related costs	101 842 257	6 251 360	108 093 617	-	-	108 093 617	108 185 543	-	91 926	100 %	106 %	-	-	-	97 306 769				
Remuneration of councillors	6 855 200	-	6 855 200	-	-	6 855 200	6 342 159	-	(513 041)	93 %	93 %	-	-	-	5 980 488				
Debt impairment	10 000 000	5 000 000	15 000 000		-	15 000 000	17 695 393	-	2 695 393	118 %	177 %	-	-	-	13 886 529				
Depreciation & asset impairment	30 603 578	-	30 603 578		-	30 603 578	49 745 211	-	19 141 633	163 %	163 %	-	-	-	44 250 749				
Finance charges	3 035 000	382 000	3 417 000	-	-	3 417 000	3 017 959	-	(399 041)	88 %	99 %	-	-	-	2 750 633				
Bulk purchases	88 000 000	(500 000)	87 500 000	-	-	87 500 000	84 686 852	-	(2 813 148)	97 %	96 %	-	-	-	77 430 424				
Other materials	9 720 374	132 230	9 852 604	-	-	9 852 604	10 187 803	-	335 199	103 %	105 %	-	-	-	8 434 353				
Contracted services	8 355 000	-	8 355 000	-	-	8 355 000	10 298 822	-	1 943 822	123 %	123 %	-	-	-	9 822 389				
Other expenditure	37 832 252	(251 568)	37 580 684	-	-	37 580 684	35 636 212	-	(1 944 472)	95 %	94 %	-	-	-	34 158 221				
Total Expenditure	296 243 661	11 014 022	307 257 683	-	-	307 257 683	325 795 954	-	18 538 271	106 %	110 %	-	-	-	294 020 555				
Surplus/(Deficit)	(43 008 690)	(7 645 997)	(50 654 687)	-		(50 654 687)	(74 817 983)		(24 163 296)	148 %	174 %				(59 164 081)				
Transfers recognised - capital	35 775 800	10 419 789	46 195 589	-		46 195 589	44 625 439		(1 570 150)	97 %	125 %				43 575 388				
Surplus/(Deficit) after capital transfers & contributions	(7 232 890)	2 773 792	(4 459 098)	-		(4 459 098)	(30 192 544)		(25 733 446)	677 %	417 %				(15 588 693)				
Surplus/(Deficit) after taxation	(7 232 890)	2 773 792	(4 459 098)	-		(4 459 098)	(30 192 544)		(25 733 446)	677 %	417 %				(15 588 693)				
Surplus/(Deficit) attributable to municipality	(7 232 890)	2 773 792	(4 459 098)	-		(4 459 098)	(30 192 544)		(25 733 446)	677 %	417 %				(15 588 693)				
Surplus/(Deficit) for the year	(7 232 890)	2 773 792	(4 459 098)	-		(4 459 098)	(30 192 544)		(25 733 446)	677 %	417 %				(15 588 693)				

# Modimolle Local Municipality

## Appendix G4

### Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Vote 4 - Corporate Services	-	4 520 995	4 520 995	-	-	4 520 995	-	-	(4 520 995)	- %	DIV/0 %	-	-	-	-
Vote 5 - Technical Services	33 991 800	13 672 531	47 664 331	-	-	47 664 331	35 620 753	-	(12 043 578)	75 %	105 %	-	-	-	-
Capital multi-year expenditure sub-total	33 991 800	18 193 526	52 185 326	-	-	52 185 326	35 620 753	-	(16 564 573)	68 %	105 %	-	-	-	-
Single-year expenditure															
Vote 1 - Executive and Council	750 000	-	750 000	-	-	750 000	657 862	-	(92 138)	88 %	88 %	-	-	-	-
Vote 2 - Budget and Treasury	-	207 000	207 000	-	-	207 000	117 845	-	(89 155)	57 %	DIV/0 %	-	-	-	-
Vote 3 - Social Services	1 685 000	(864 500)	820 500	-	-	820 500	1 969 556	-	1 149 056	240 %	117 %	-	-	-	-
Vote 4 - Corporate Services	420 000	230 150	650 150	-	-	650 150	393 280	-	(256 870)	60 %	94 %	-	-	-	-
Vote 5 - Technical Services	4 380 000	(3 424 000)	956 000	-	-	956 000	4 605 058	-	3 649 058	482 %	105 %	-	-	-	-
Vote 6 - Planning and Development	80 000	106 000	186 000	-	-	186 000	56 851	-	(129 149)	31 %	71 %	-	-	-	-
Capital single-year expenditure sub-total	7 315 000	(3 745 350)	3 569 650	-	-	3 569 650	7 800 452	-	4 230 802	219 %	107 %	-	-	-	-
Total Capital Expenditure - Vote	41 306 800	14 448 176	55 754 976	-	-	55 754 976	43 421 205	-	(12 333 771)	78 %	105 %	-	-	-	-

**Modimolle Local Municipality**  
**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2015**

2015/2014										2014/2013				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital Expenditure - Standard</b>														
<b>Governance and administration</b>	<b>1 170 000</b>	<b>209 500</b>	<b>1 379 500</b>	-	-	<b>1 379 500</b>	<b>1 168 987</b>	<b>(210 513)</b>	<b>85 %</b>	<b>100 %</b>	-	-	-	-
Executive and council	750 000	-	750 000	-	-	750 000	657 862	(92 138)	88 %	88 %	-	-	-	-
Budget and treasury office	-	160 500	160 500	-	-	160 500	117 845	(42 655)	73 %	DIV/0 %	-	-	-	-
Corporate services	420 000	49 000	469 000	-	-	469 000	393 280	(75 720)	84 %	94 %	-	-	-	-
<b>Community and public safety</b>	<b>1 465 000</b>	<b>2 244 561</b>	<b>3 709 561</b>	-	-	<b>3 709 561</b>	<b>1 688 336</b>	<b>(2 021 225)</b>	<b>46 %</b>	<b>115 %</b>	-	-	-	-
Community and social services	785 000	100 000	885 000	-	-	885 000	-	(885 000)	- %	- %	-	-	-	-
Sport and recreation	355 000	2 144 561	2 499 561	-	-	2 499 561	1 688 336	(811 225)	68 %	476 %	-	-	-	-
Public safety	325 000	-	325 000	-	-	325 000	-	(325 000)	- %	- %	-	-	-	-
<b>Economic and environmental services</b>	<b>6 584 480</b>	<b>7 367 896</b>	<b>13 952 376</b>	-	-	<b>13 952 376</b>	<b>13 041 901</b>	<b>(910 475)</b>	<b>93 %</b>	<b>198 %</b>	-	-	-	-
Planning and development	110 000	36 000	146 000	-	-	146 000	161 851	15 851	111 %	147 %	-	-	-	-
Road transport	6 474 480	7 331 896	13 806 376	-	-	13 806 376	12 880 050	(926 326)	93 %	199 %	-	-	-	-
<b>Trading services</b>	<b>32 087 320</b>	<b>764 552</b>	<b>32 851 872</b>	-	-	<b>32 851 872</b>	<b>27 521 981</b>	<b>(5 329 891)</b>	<b>84 %</b>	<b>86 %</b>	-	-	-	-
Electricity	5 500 000	-	5 500 000	-	-	5 500 000	5 286 961	(213 039)	96 %	96 %	-	-	-	-
Water	300 000	4 614 700	4 914 700	-	-	4 914 700	3 677 914	(1 236 786)	75 %	1 226 %	-	-	-	-
Waste water management	26 067 320	(3 806 368)	22 260 952	-	-	22 260 952	18 380 886	(3 880 066)	83 %	71 %	-	-	-	-
Waste management	220 000	(43 780)	176 220	-	-	176 220	176 220	-	100 %	80 %	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>41 306 800</b>	<b>10 586 509</b>	<b>51 893 309</b>	-	-	<b>51 893 309</b>	<b>43 421 205</b>	<b>(8 472 104)</b>	<b>84 %</b>	<b>105 %</b>	-	-	-	-
<b>Funded by:</b>														
National Government	35 775 800	10 419 789	46 195 589	-		46 195 589	40 307 709	(5 887 880)	87 %	113 %				-
<b>Transfers recognised - capital</b>	<b>35 775 800</b>	<b>10 419 789</b>	<b>46 195 589</b>	-		<b>46 195 589</b>	<b>40 307 709</b>	<b>(5 887 880)</b>	<b>87 %</b>	<b>113 %</b>				-
Internally generated funds	5 531 000	166 720	5 697 720	-		5 697 720	3 113 496	(2 584 224)	55 %	56 %				-
<b>Total Capital Funding</b>	<b>41 306 800</b>	<b>10 586 509</b>	<b>51 893 309</b>	-		<b>51 893 309</b>	<b>43 421 205</b>	<b>(8 472 104)</b>	<b>84 %</b>	<b>105 %</b>				-

**Modimolle Local Municipality**  
**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2015**

	2015/2014						2014		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	141 534 543	10 874 140	152 408 683	152 408 683	171 060 921	18 652 238	112 %	121 %	-
Government - operating	62 686 244	(626 000)	62 060 244	62 060 244	64 015 705	1 955 461	103 %	102 %	-
Government - capital	49 672 757	(4 374 000)	45 298 757	45 298 757	23 012 229	(22 286 528)	51 %	46 %	-
Interest	2 700 000	(200 000)	2 500 000	2 500 000	3 961 038	1 461 038	158 %	147 %	-
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	(211 742 583)	-	(211 742 583)	(211 742 583)	(220 570 584)	(8 828 001)	104 %	104 %	-
Finance charges	(1 326 000)	-	(1 326 000)	(1 326 000)	(431 806)	894 194	33 %	33 %	-
Transfers and Grants	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	43 524 961	5 674 140	49 199 101	49 199 101	41 047 503	(8 151 598)	83 %	94 %	-
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	198 631	198 631	DIV/0 %	DIV/0 %	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	484 892
Decrease (increase) in non-current investments	-	-	-	-	(455 807)	(455 807)	DIV/0 %	DIV/0 %	-
Payments									
Capital assets	(56 689 119)	(13 725 767)	(70 414 886)	(70 414 886)	(60 474 642)	9 940 244	86 %	107 %	-
Net cash flow from/used investing activities	(56 689 119)	(13 725 767)	(70 414 886)	(70 414 886)	(60 731 818)	9 683 068	86 %	107 %	484 892
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	10 000 000	(10 000 000)	-	-	-	-	DIV/0 %	- %	-
Increase (decrease) in consumer deposits	50 000	-	50 000	50 000	-	(50 000)	- %	- %	-
Payments									
Repayment of borrowing	733 476	-	733 476	733 476	(1 581 663)	(2 315 139)	(216)%	(216)%	-
Net cash flow from/used financing activities	10 783 476	(10 000 000)	783 476	783 476	(1 581 663)	(2 365 139)	(202)%	(15)%	-
Net increase/(decrease) in cash held	(2 380 682)	(18 051 627)	(20 432 309)	(20 432 309)	(21 265 978)	(833 669)	104 %	893 %	484 892
Cash/cash equivalents at the year end:	(2 380 682)	(18 051 627)	(20 432 309)	(20 432 309)	34 768 777				56 119 803
Cash/cash equivalents at the year end:	(2 380 682)	(18 051 627)	(20 432 309)	(20 432 309)	13 502 799	(833 669)	(66)%	(567)%	